FINANCIALTIMES

Germany

Opposition puts on a brave face...

Page 2



Microsoft

Mr Gates goes to Washington



THURSDAY DECEMBER 4 1997

Move deals fresh blow to farmers' hopes of ending EU curbs

World Cup



Germans show their muscles in Tokyo

Survey, separate section

World Business Newspaper http://www.FT.com

**WORLD NEWS** 

## Nazi gold pool may hold loot from victims of Holocaust

Up to 60 tonnes of gold in the Tripartite Gold pool – set up by the allies to return gold looted from Europe's central banks during second world war – may have come from victims of the Nazis. Elan Steinberg of the World Jewish Congress of the World ish Congress said recently declas-sified US files showed much of victims' gold had been mixed in with gold from the reserves of the looted central banks. Page 12

Russia to raise rates again Russia will soon raise interest rates again to defend the rouble and calm the treasury bill mar-ket, central bank chairman Sergei Dubinin said. Page 12

Silvio Berlusconi convicted Silvio Berlusconi, leader of Italy's centre-right opposition and former PM, has been convicted in Milan of having helped to com-pile false accounts. He was fined L10m (\$5,780). Page 2

Asylum seekers are being driven out of Europe because of a push by EU member states to co-ordinate their asylum policies. claimed human rights group Amnesty International, Page 3

Knighthood for Pele Brazilian soccer legend Pele has been awarded an honorary knighthood by Queen Elizabeth II at London's Buckingham Palace. Picture, Page 9

Compromise in Kyoto
The first compromise at the climate change talks in Kyoto seems likely to be on the issue of which gases should be covered by an agreement, Page 4

Spain and UK clast: Spain and the UK are putting different interpretations on the out-come of a Nato defence ministers meeting which cleared the way for a streamlined alliance command including Spain. Page 2

Lebanon economic plan Lebanon's premier Rafiq Hariri has presented the cabinet with an economic plan aimed at cuting waste and raising \$2bn via partial debt restructuring. Page 4

India set for election India's president K.R. Narayanan is expected to dissolve parliament and order fresh general elections. Page 6

leraet state workers strike Israel's public sector workers halted the economy in a strike against pension reform and privatisation. Page 4

COME FIRST

Gloom on growth Europe's businessmen are distilu-sioned about medium-term economic prospects for Germany and France, said a survey by UPS Europe Business Monitor. Page 2

Ireland to hit Emu target Irisb finance minister Charlis McCreevy told the Dublin parliament the country will meet the debt requirements for membership of the European single currency by 2000. Page 3

Yeltsin announces army cuts President Yeltsin announced that conventional forces in north-west Russia would be sharply cut next

Estonia report attacked The official report into the 1994 Estonia ferry disaster, in which 852 died when It sank in the Baltic, was condemned as incomplete and inaccurate by tha ship's German builders Meyer Werft. Page 3

The last straw Californian company BioFab has designed an environmentally friendly bio-degradable coffin made from rice straw heated and pressed into boards.

Markets

New York: Ismahtina Day Jones Ind Av \_\_\_\_

Januar: 10 vr JGB ...

MASDAQ Composits 1,592.21 Burepe and Far East CAC40 2502.39

US LUNCHTUSE RATES
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(-10.74) (+9.93) (-6.8) (-324.78)

(7**6%)** (105.656) (100.66) (104.27) (108.83)

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**BUSINESS NEWS** 

## Spectre of recession as Japanese GDP drops 1.4%

Japan is in effect in recession, according to data that showed its gross domestic product contracting 1.4 per cent in the six months to September compared with the previous half year.

Page 14; Tokyo pumps liquidity into bank system, Page 6; Yamaichi clients pull out \$93bn, Page 15; Samuel Brittan, Page 12

World Trade Organisation chief Renato Ruggiero warned that a global pact to liberalise financial services could fail if countries did not present offers soon. With eight days to go to the December 12 deadline Malaysia, Indonesia

PolyGram, the Dutch entertainment group, has agreed terms to acquire for \$225m The Graduote, Blue Velvet, When Harry Met Sally and other feature films that once belonged to troubled French bank Crādit Lyonnais. Page 15; Crédit Lyonnais rescue delay. Page 3

and Brazil have yet to table

Minority shareholders' efforts to force Swedish investment company Trustor into liquidation looked stronger after a dissenting shareholder withdrew objections to the application. Page 20

theres in NBM-Amstelland, the Dutch construction group, fell nearly 8 per cent after chairman André Baar, 54, was held on suspicion of money laundering.

BTG, the UK intellectual property company, outlined an injection that makes varicose veins disappear and a scanner that can detect drugs in luggage among potential new products. Page 22; Technology, Page 10

Germany's biggest public sector bank, is making a last minute attempt to take over Finance One, Thailand's largest suspended finance company which faces possible liquidation next Monday. Page 15 ..

H.J. Heinz shares surged \$1%, or \$54% in early trading as Wall Street digested the implications of Tony O'Reilly's decision to step down as chief executive. Page 16; Observer, Page 18; Lex. Page 14

Geneviève Gomez, a former top executive at Banqua Indosuez and Elf Aquitaine, is set to be appointed managing director of the state owned French banking group Société Marsellaise de Crédit. Page 21

Speculation intensified that KLM, the Dutch airline, was on the verge of announcing a strate-gic alliance with Alitalia, Italy's national carrier. Page 20; Lex. Page 14

**Queci,** the Italian fashion group, unveiled a fall in net third quarter profits to \$48.1m from M6m because of adverse exchange rates and a slowdown in the Asian market. Page 21

Poland's new government has sacked the top management at Telekomunikacja Polska, the state-owned telecommunications operator, ahead of its partial flotation next year. Page 21

TrizecHahn, the Canadian property company, has acquired effective ownership of the Sears
Tower in Chicago by taking over
a second mortgage on the building at a discount price of
US\$70m. Page 15

The French government hinted that it was likely to restructure export credit insurer Coface or change its ownership if the

**EXCHANGE RATES** 

UK plans to

# ban beef on bone after **BSE** link

By George Parker, Meggie Urry and Michael Smith in London

UK hopes of securing an end to the European Union beef export ban were dealt a serious blow yesterday when the government revealed that BSE, or mad cow disease, might be transmitted through beef bones.

Jack Cunningham, agriculture minister, responded by announcing plans to ban the sale of beef on the bone, including cuts such as T-bone steaks, ribs and oxtails, Although those products ccount for only 5 per cent of the UK beef market, the govern-

spark renewed concern across the Continent. Mr Cunningham conceded that, in the light of the new advice, ha could not give any guarantee that consumers had not eaten

BSE-infected beef over the past

ment'a new scientific advice will

18 months. Yesterday's announcement will cause further alarm in Britain's beef industry, where farmers are already suffering from depressed prices and falling incomes. Soms Welsh farmers have

balt trucks carrying cheap Irish beef imports. European Commission officials reacted with weary dismay at the latest beef scare to emerge from the UK, the result of new confidence and initiatives to per-

recently blockaded ferry ports to

Encephalopathy Advisory Comshould have allowed the sala of Downing Street argued that the beef on the bone to continue, and proposed ban would help to should have allowed consumers to use their discretion.

Professor John Pattison, chairabout three animals out of a total of 2.2m cattle which "will go into the buman food chain in 1998"

Gesture on 'mad cow' rules......Page 8 Farmers face fresh setback ..... Page 9 Editorial Comment .....

health. But Mr Cunningham defended his action. "I could not contemplate hav-

ing this advice and knowingly allowing infected BSE material into the food chain," he said.

The minister also promised an announcement soon on a possible public inquiry into the UK government's handling of the BSE crisis, which would inavitably focus largely on the actions of the previous Tory administra-Mr Cunningham admitted that

the new scientific advice could make it more difficult for the UK to obtain a lifting of the beef ban, but insisted: "I am committed to being open and honest about this problem - in Europe and in Britain." The UK beef industry has been

in a state of crisis since the EU imposed its ban on exports in March 1996, when Seac first suggested a link between BSE and Creutzfeldt Jakob disease, Its human equivalent.

Farmers yesterday expressed dismay at the "drip feed" of evidence emerging from the scien-tists, and its impact on consumer research by the Spongiform suade the EU to end the ban. Yesterday's announcement will

Mr Cunningham said that the tion period before orders are laid risks to human health posed by in Parliament to implement the infectivity in cattle bones was beef-on-the-bona ban, which

ensure consumer confidence. "We have taken decisive action man of Seac, estimated that only lifting of the European ban," the prima minister's official spokes-

But Germany was already could pose a threat to buman antagonistic to UK plans for an cent in real terms this year.



Butchers including Gny Dambrauskas, from York in northern system, open capital markets England, face a new blow as the UK said it could not guarantee wider to overseas investors,

early lifting of the beef export "very, very, small". Some Tory could be in effect before ChristMPs responded by suggesting he mas.

first demonstrate that it can halt ment have so far not been met.

Sir David Naish, president or

It says it has detected imports the National Farmers' Union, from the UK amounting to 600 said the news could be "the last duced, compared to an average of which will help, not hinder, the 50 tonnes a year prior to the ban, back". The news comes at a bad time

this week, the government said could cause another crisis of confarm incomes would fall by 37 per sumer confidence, undermining

Farmers pleas for additional ban, arguing that the UK must compensation from the govern-Sir David Naish, president of

tonnes since the ban was intro- straw" for the industry, which was already "flat on its He said he was concerned that for the farming industry. Earlier tha handling of the proposed ban

## Seoul gets \$55bn with orders to reshape economy

By John Burton in Secul

The International Monetary Fund yesterdoy mounted its biggest rescue with o \$55bn funding package for South Korea to solve the debt crisis engulfing the world's 11th largest economy and ease Asia's financial turmoil.

The rescue plan was finally agreed when the Korean government gave up a dogged struggle to preserve the main elements of its dirigiste economic structure.

Michel Comdessus, IMF manage ing director, intervened directly to bring a quick end to the negotiations after Seoul prematurely announced an agreement on Sun-day. Both Mr Camdessus and Lim Chang-yuel, the Korean finance minister, announced yesterday's

Mr Camdessus indicated the conditions attached to the package could lead to a profound transformation of Korea's regimented economy.

Mr Lim said the country faced painful restructuring, "But these pains and burdens are the cost our economy has inevitably to pay to revive and to recover our lowered credibility in the world financial society," he said.

Mr Camdessus sald the IMF programme included "far-reaching financial reform".

Robert Rubin, the US Treasury secretary, said the programme included "significant financial restructuring and measures to open up Korea's financial markets to foreign participation and improve corporate governance".

The finance ministry said it was likely Seoul would be forced to curb economic growth restructure its-indebted financial increased foreign participation in the banking and corporate sec-

Mr Camdessus said the IMF would provide \$21bn in threeyear standby credits, with the World Bank contributing an additional \$10bn and the Asian Development Bank \$4bn. Other countries would

Continued on Page 14 Korea Inc may turn, Page 6 Samuel Britten, Page 12 Editorial Comment, Page 13

## Toyota assembly plant set to be built in France

man said.

By David Owen in Paris and Michivo Nakamoto in Tokyo

Toyota, Japan's biggest carmaker, is set to announce plans to build a FFr8.5bn (\$590m) car assembly plant in France, dashing UK hopes that it would extend its car manufacturing facility at Burnaston in the

Dominique Strauss-Kahn, tha French finance minister, cama close to confirming the move after a cabinet meeting yesterday, saying he believed the Japa-nese group had "indeed taken a decision to come to France". He continued: "Some aspects

on the choice of the site are still insurer AGF passed into foreign hands, Page 20 under discussion, so I do not Inside

(1.6623) (1.7746) (5.94) (1.4325) (128.685) Y 128.68

ment. But Toyota's coming to France is virtually certain."

Llonal Jospin, the French prime minister, and Hiroshi Okuda, the Toyota chairman, are expected to make a formal announcement next Tuesday in Paris. Toyota yesterday would not confirm it had officially notified the French government of Its decision, but said preparations for an announcement were well under way.

The plant is expected initially to create 1,000 direct jobs and to have an annual capacity of 100,000 vehicles with a start-up in 2001. It is likely to be located

Continued on Page 14

COMMENT & ANALYSIS

Editorial, Page 13 · Base metal prices set to fall Commodities, Page 26 Pakistan army keeps low profile Asia News, Page 6 Barshelsky toughs it out World Trade News, Page 8

**TECHNOLOGY** 

 France's bio-research trimmpi Technology, Page 10 Personality key to heart dise Technology, Page 10

FINANCE

 Al-Welcod's global kingdom European Company News, Page 21 Alitalia --- not much for KLM Lex, Page 14



• Forex regulation - a bed thing

**EMERGING MARKETS** 

World Stock Markets, Page 38 • Global warming -- the US view International News, Page 4 Highlights at a glence Global Equity Markets, Page 35

International 4-9 Europe 2,3 Technology 10 Arts 11 Letters 12 Companies 16-22 Currencies 25 Bonds 24 World Equities 30-36



By James Blitz in Rome

Silvio Berlusconi, leader of his first since a range of corltaly's centre-right opposition, was yesterday con- accusations began to emerge victed by a Milan tribunal of some years ago. having belped to compile false accounts during the relates to the purchase by acquisition by his Fininvest group of a film business.

He was formally sentenced to 16 months in prison, but lusconi and four business the sentence was immadiately quashed by the court Medusa than the L28bn and Mr Berlusconi, prime minister for seven months

Jopposition Social Democrat who is

contemplating a bld for the German chancellorship next

year, hardly expected to be

sbowered in glory at this

week's party conference in

But he perhaps underesti-

mated the challenge that

will face him today when he

rises to speak on the last day

As Mr Schröder predicted,

it has been "Oskar's conference". Oskar Lafontaine.

SPD chairman and Mr Schröder's rival to be its candidate

for the chancellorahip, enthralled the party with a

storming speech on Tuesday that defended an unreformed

social state and scorned

Schröder with an emphasis

on conserving Germany's

social institutions that con-

trasted with the Lower Sax-

ony premier's modernising

Mr Lafontaine's reward

was a five-minute standing

ovation - triumphant by

German standards - and re-

election as party chairman

with 93.2 per cent of valid

Mr Schröder was re-elected

to the SPD's executive com-

mittee yesterday with almost

75 per cent of delegates'

Mr Lafontaine's success

SPD conference in Mann-

heim two years ago, when

Mr Lafontaine seized the

He also snookerad Mr

shareholder values.

of the SPD's conference.

pay a fine of L10m (\$5,780).

Mr Berlusconi's conviction Fininvest of the Medusa film business in 1988. The prosecution alleged that Mr Berassociates paid less for (\$16.2m) recorded on Fininvest's balance sheet.

However, the conviction is already paid L17bn in damages in the case, would not ruption and embezzlement go to jail. The judge's explanation for this will be published in 45 days.

Mr Berlusconi has repeatedly denied the charges. But the conviction will compound pressure from within the rightwing coalition for him to stand down as

Yesterday's sentence is the latest blow for Mr Berlusconi. He is facing other cor-

Rivals battle for the SPD's soul

While the party loves old-style social democrat Oskar Lafontaine and the public prefers

cede that he would not pledged to hold a summit become prime minister if the centre-right "Freedom Alliits strategy. ance" won power soon.

His position has not been helped by the disastrous performance of his alliance in two recent elections. The alliance won about 25 elections for mayor in towns of more than 15,000 people, while the ruling centre-left coalition won 42.

The leadership of Alleanza Nazionale (AN), the neo-fascist group allied to Mr Ber-

Mr Berlusconi, who has recently was forced to con-lusconi's Forza Italia, has this Saturday to reconsider

> There are suggestions within AN that Gianfranco Fini, the party's leader, might consider a break with Mr Berluscon!

Meanwhile, open war appears to have broken out in Sicily between Forza Italia, the party Mr Berlusconi founded, and the small former Christian Democrat

## Yeltsin offers big cut in forces

By Alexander Nicoll in Brussels and Tim Burt in Stockholm

President Boris Yeltsin yesterday announced that conventional forces in north-west Russia would be sharply cut next year. It was his second dramatic attempt in two days to reduce con-cerns among Russia's Euro-pean neighbours about future military threats from Moscow. Mr Yeltsin's comments, in

a speech to the Swedish parliament in Stockholm, were a deliberate statement of policy, in contrast to his off-thecuff promise on Tuesday of a further one-third cut in nuclear warbeads, which was interpreted in the west as offering nothing new.

Although the precise import of yesterday's undertaking was unclear, it was cautiously welcomed in Brussels, where defence min-isters of the Nato alliance were meeting their Russian counterpart, Marshal Igor Sergeyev, within the struc-ture of the Nato/Russia Permanent Joint Council.

Marshal Sergeyev confirmed that by January 1999, forces would be reduced by 40 per cent in the regions which Moscow considered most secure, namely the Kaliningrad enclave and the St Petersburg region, as well as in the northern and Baltic fleets. According to the London-based International Institute for Strategic Studies, these regions host 82,000 soldiers, two naval infantry brigades, 79 subma-rines and 68 combat ships.

In Stockholm, Yevgeny Primakov, foreign minister, also emphasised that the cuts would form part of the steady reduction in Russia's overall armed forces.

William Cohen, the US defence secretary, declined to comment on the Russian statements but called on the Duma, Russia's parliament. to ratify the Start 2 treaty so that the next stage of arms reduction, Start 3, could be negotiated.

Officials believed that Mr Yeltsin's comment on nuclear warheads, was in line with previous suggestions about the starting point for Start 3 talks, and Marshal Sergeyev said the one third cut should be considered as a possible lower ceiling for Start 3.

Nato officials said they needed more details about the undertaking on conven-tional forces but that it could reduce tensions in the Baltic region. They welcomed any statement which suggested that the Russian military was being reformed to improve training and co-operation with the west, and to reduce insularism.

Mr Yaltsin proposed "a regime of confidence" along its western borders, with botlines batwean tha region's militaries, mutual inspections of military facilities, joint control over Baltic

airspace and joint exercises. His remarks reflected Russia's concern - in spite of its own closer relationship with Nato - about the desire of Baltic states to join Nato in the footsteps of Poland, Hungary and the Czech Republic which are due to join next year. Most other non-Nato European countries are also rapidly developing military-to-military links with Nato through the Partnership for

Peace programme. Marshal Sergeyev reiterated Russia's opposition to Nato enlargement and complainad about recent military exercises carried out close to Russian territory.

# moderniser Gerhard Schröder. SPD electoral prospects are uncertain, writes Ralph Atkins

Whose hand on the steering wheel? Oskar Lafontaine, left, and Gerhard Schröder vie for the right to challenge Chancellor Helmut Kohl next year

and international motifs of the late Willy Brandt, an SPD legend who was chan-

cellor between 1969 and 1974. Mr Lafontaine, his oppohas been based, first, on a nents were quick to argue. could still have been living tight grip on party structures. Discipline has in the 1970s, urging business improved markedly since an to put workers' interests above share value and advocating Keynesian demand management to create jobs.

leadership from Rudolf He proposed that the Euro-Scharping, who had failed to pean Union should harmonhalt one of the party's most ise taxes and co-ordinate ecodisruptive bouts of post-war nomic policies to stop a generous social security ben-disunity. "downward race" to cut efits, particularly the over-This week Mr Lafontaine business costs. The Group of burdened pay-as-you-go pen-has also demonstrated his Seven industrialised counsion system, as inevitable. SPD win next September's control of policy. His speech tries should act against But his tone in today's federal elections, although it

attempt at evoking the social and stabilise exchange rates. "At the least, target corridors must be agreed to limit speculation and allow a return to rational economic decision making." he said.

The contrasts between Mr Lafontaine's ideas and those of Mr Schröder seem obvious. Although staunch in his defence of social values and jobs, Mr Schröder wants the SPD to be more pro-business and responsive to global competition.

He also sees change to chancellor race.

subject hardly mentioned by Mr Lafontaine - will be mea-

He can play a longer game. Mr Schröder's hopes rest more crucially on the result of elections in Lower Sexony next March · shortly before the party picks its chancellor candidate.

If the SPD vote falls more. than two percentage points below the 44 per cent won in 1994, Mr Schröder says he withdraw from the

argue with force that only excited delegates with an financial market speculation debate on innovation - a would probably still need

If he does well, he could

support from the Green party in government.
Opinion polls suggest Mr Schröder has a much better chance of beating Helmut

Kohl, the chancellor. The danger is that his party may not yet fully comprehend what is required to maximise its chances of victory. By UK Labour party standards, the SPD's use of modern campaign techniones and tha media is primitive.

While discipline and unity are important, it is unclear if Mr Lafontaine has rallied his party around a election-winning agenda. His case depends on voters - not just SPD delegates - accepting that his policies would do more to solve Germany's economic and social problems than Mr Kohl's attempts at gradual reform.

For Mr Schröder to signal a significant change in direction will be difficult. Mr Lafontaine likes to emphasise teamwork, but his digs at Mr Schröder - whom be did not mention once in his speech - have seemed palpa-

For instance, he made much of proposals for higher taxes on energy consumption and financial penalties for companies failing to provide apprenticeships - both areas where Mr Schröder has signalled unease.

If Mr Schröder is chosen as chancellor candidate, it is unclear how fast the party would switch allegiance.

Yesterday Mr Scharping concluded that the Mannheim conference had signalled the end of the SPD's 15 years in opposition.

Hanover would mark "the beginning of many years of Social Democratic rule". But if Hanover has illustrated anything, it is that there is a long way to go before Sep-See Editorial Comment

now seem significantly more optimistic about the future

than they were last year. A

net 51 per cent of business

leaders reported an improve-

ment in their businesses

over tha previous 12

mouths, compared with only 25 per cent last year.

# Businessmen gloomy about growth

Western European countries' prospects for business in the next three years

Which will have strongest growth (% membored) Which will be most likely to have strikes (% mentioned)

By Wolfgang Münchau. Economics Correspondent

Europe's leading businessmen are disillustoned about the medium-term economic prospects of Germany and France, according to an annual survey hy UPS Europe Business Monitor.

Germany was knocked off the top spot as the country forecast to show the strongest economic growth over the next three years. Only 32 per cent of respon thought that Germany would enjoy the highest western European growth rates, compared with 54 per cent last year.

Germany now trails the UK (48 per cent) and Spain (35 per cent). France fell from fourth to sixth place behind Italy and the Netherlands. Another poor per-former was Belgium, which scored lower than Greece.

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The survey was commissioned by UPS, the postal carried out by Harris, the opinion research group, It was based on 1,475 inter-

views with European business leaders in seven coun-tries during September and

Germany and France, by

The survey's results contrast sharply with traditional economic forecasts. including a recent projec-UK economic growth will be the lowest of all EU countries next year. Growth in rent business sentiment.

contrast, are forecast to pick np strongly after a long tion by the European Com- nature has shortcomings as mission, according to which an economic forecasting

While a survey of this tool, its results are considered a useful gauge of cur-European business leaders

A large majority support economic and monetary union, and are optimistic about its implications for the European economy and their own companies. Business executives have also become less pessimistic

about the labour market. The pace of job losses is forecast to slow down in tha next 12 months, but with significant national variations. Germany and France are expected to suffer continued falling employment, while in the UK and the Netherlands the number of jobs is expected to increase

Matutes: 'creative' ideas on Gibraltar dispute

ative and generous" proposals with him to London.

He is likely to offer a power-sharing arrangement, modelled on Andorra's conbroach Spain's sovereignty stitution in which Spain and claims over Gibraltar with France nominally share sovereignty, that will allow Gibraltarians to retain their British nationality and their Britain turned down an Matutes would take "cre- self-governing institutions.

## **NEWS DIGEST**

# Overhaul for anti-trust fines

A new method for determining the size of fines to be imposed on companies that break European Union antitrust rules was presented by the European Commiss

The new system will define a base sum related to the length and gravity of an abuse, but with no reference to the turnover of the company in question. This will then be adjusted up or down, according to aggravating or miti-

Under EU treaty rules, the Commission can impose fines on companies that infringe articles covering restrictive agreements, abuse of a dominant position and anticompetitive arrangements.

The new method is designed to bring greater coherence to the setting of fines, which in the past has appeared somewhat arbitrary. According to their gravity, infringements will fall into three categories: minor, with a maximum fine of Eculm (\$1.1m) serious, with a maximum fine of Ecu20m; and very serious, with fines of over Ecu20m. Emmo Tucker, Brussels

## **■ ITALIAN TELECOMS/TV**

## New regulator appointed

Italy's government has announced the appointment of a joint regulator for the telecommunications and television

In a sign that the Party of the Democratic Left (PDS) is regaining ground within the ruling coalition over appoint ments to crucial jobs, Enzo Cheli, n former board-member of Rai, the state television service, has emerged as the

government's nominee for the newly created position. Mr Cheli was chosen after a meeting on Tuesday night between Romano Prodi, prime minister, and Massimo d'A lema. PDS leader, over appointments to be made to Italy's

main regulatory bodies in the next few days. Mr Cheli is being portrayed in the Italian media as the PDS's "candidate" for the post. His appointment follows expressions of disappointment by Mr d'Alema's allies at the weekend over the resignation of Guido Rossi, the Telecom Italia chairman, after be had attempted to introduce

new corporate governance rules to the company. Assuming that Mr Cheli accepts the post, he will have one of the most sensitive positions in the public sector. not least because of the impact of telecoms liberalisation

## SERBIAN POLITICS

## Socialists hold speaker's post

The Serbian Socialist party (SPS) of Slobodan Milosevic, the Yugoslav president, yesterday secured the important position of speaker of parliament.

Dragan Tomic, speaker in the previous parliament and a close ally of Mr Milosevic, was appointed again when parliament met for the first time since the SPS-led coalition lost its majority in elections on September 21. Mr Tomic will also remain acting president of Serbia.

He said the SPS would attempt to form a government after the re-run of Serbia's presidential elections on Sun-

The ultra-nationalist Radical party, now the second largest party after the SPS, said it wanted the position of prime minister if it joined a coalition. Vojislav Seselj, the leader of the Radicals, who has been described by a senior US envoy as a "fascist", won the Serbian presidential elec tions in October but the result was invalidated by a low turnout - an outcome that could be repeated this month.

Serbia has been without a president since July, when Mr Milosevic, barred by the constitution from seeking a third term, switched to the federal Yugoslav presidency. Guy Dinmore, Belgrade

## FRENCH CAPITAL CONTRIBUTIONS

## **Companies to get FFr90bn**

France looks set to put about FFr90bn (\$15.3bn) in capital contributions into public sector companies in 1997 and 1998, with FFr56.5bn coming this year – more than double the figure included in the initial finance law.

The finance ministry indicated yesterday that this budget would permit it to make contributions to public enterprises on the following basis:

 EPFR and EPRD, entities set up to help rescue Crédit Lyonnais and Comptoir des Entrepreneurs respectively,

 Réseau Ferré de France, the company that owns France's rail network, FFr18bn

• GAN, the insurer, FFr14.5bn Thomson Multimedia, consumer electronics, FFr11bn

 Giat, armaments, FFr9bn Charbonnages de France, coal FFr5.5bn

 Other enterprises would receive FFr4.5bn, while risk capital would account for FFr1bn and commissions for

The scale of the planned capital contributions is likely to keep pressure on the Socialist-led government to sanction more sales of state assets, since It is the receipts from such disposals that are expected to pay for them. David Owen, Paris

## ■ GERMAN NEO-NAZIS

## Six soldiers face action

The German defence ministry said yesterday it had opened disciplinary proceedings against six soldiers who decorated a room in their barracks with pictures of Adolf Hitler and pre-war army flags for a drinking party. The ministry said the incident had taken place in the

southern town of Altenstadt in 1993 but had come to the attention of officers only this week, when they received photographs showing the soldiers with Nazi symbols. A ministry spokesman confirmed an account in the newspaper Bild, which said the soldiers had also shouted

extreme rightwing slogans during the party. The incident was the latest in a string of highly publicised cases linking German soldiers with rightwing extremism. In October the ministry said 80 incidents of suspected extreme rightwing activity had been reported in the first eight months of 1997, compared with 46 for the

## **GERMAN ECONOMY**

## industrial production rises

German industrial production recovered in October. increasing by a seasonally adjusted 1.8 per cent from September. September production was revised upwards to show a fall of 0.4 per cent from August, compared with a drop of 1.6 per cent reported a month ago.

The recovery, after two months of declines, was seen by analysts as a sign that activity had returned to its medium term growth trend after weakness reflecting late summer holidays.

The economics ministry said yesterday the late holidays helped cause a 2 per cent fall in overall industrial output in September and October compared with July and August. But production in the latest two months was 2.6 per cent higher than in September and October last year. with manufacturing output up 4.7 per cent compered with the year before.

The Munich-based Ifo economic research institute forecast that German manufacturing output will grow by 4 per cent next year and that investment in plant and equipment will expand by 6.5 per cent in 1998.

Peter Norman, Bonn





GERMANY:
Responsible for Advertising content: Colin
A Remand. Printer: Hürriyet International
Verlagsgesellschaft nibH. Admiral-Rosenlabl-Strases 2a, 6256 Neu Isenburg ISSN
0174-7363. Responsible Editor: Richard
Lambert, elo The Funneial Troses Limited,
Number One Southwark Bridge, London
SE1 9HL.

PRANCE:
Publishing Director: P. Maraviglia, 42 Rue
La Boete, 75008 PARIS, Telephone (01)
5376 8254. Fax (01) 5376 8253. Printer:
S.A. Nord Echair, 15721 Rue de Caire,
F-99100 Routhaix Cedes: J. Editor: Richard
Lambert, ISSN 1148-2753. Commission
Paritaire No 67808D.

SWEDIEN:
Responsible Publisher: Hugh Carnery 468
618 6038. Printer: AB K vallstidningen
Expressen. PO Box 6007. S-550 06.
Jönköpung.
The Financial Times Limited 1997.
Editor, Richard Lambert, e/o The Financial
Times Limited, Number One Southwork
Bridge, London SE1 9HL

FRANCE:

FINANCIAL TIMES
Published by The Financial Times (Europe)
Grahld, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany, Telephone ++49
69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand,
Wilhelm J. Brünsel, Colin A. Kessanrd as
Geschäftsführer and in London by David
C.M. Bell, Chairman, and Alan C. Miller,
Deputy Chairman, The shareholder of the
Financial Times (Europe) Gendel is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, WIX ILE.
Shareholder of this company is Pearson
pic, registered at the same address
GERMANY:
Responsible for Advertising content: Colin.

By Tom Burns in Madrid

potting different interpretations on the outcome of a was "unhelpful". Nato defence ministers' meeting on Tuesday which cleared the way for a streamlined alliance command incorporating Spain for the Abel Matutes, Spanish for-

threat to veto a Nato head-

quarters in Spain while Mad-

diplomatic success for Mad-

reducing it to a "paper com-

the Spanish headquarters, of the restrictions.

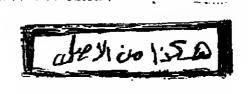
mand\*, unless Madrid earlier Spanish offer to allow Spain and Britain are puted British colony. They said Spanish "triumphalism"

in Madrid tomorrow in an. to the colony. attempt to agree a formula that will satisfy honour on both sides before December 16, when Nato's foreign mineign minister, greeted a Britisters meet to approve the further its own aims in the ish decision to drop its new command arrange dispute over Gibraltar. ments. Under the streamlined structure, a small Nato rid maintained naval and air command based on Gibraltar restrictions on Gibraltar as a will be scrapped. The compromise is likely to entail rid. However, UK officials limited Spanish involvement said yesterday that London in the control of Gibraltar's Robin Cook, UK foreign secwould block appointments to airport and a partial lifting retary.

improved access to the dis- full access to Gibraltar in return for joint military use of the Rock's airport after protests from Gibraltar's Senior British and Spanish 30,000-strong community, diplomats are to hold talks which rejects Spanish claims 30,000-strong community, While London seeks to use

Spain's Nato role as a lever to end the restrictions, Madrid is using them in order to dispute over Gibraltar. Tomorrow's talks will prepare the ground for a December 10 meeting in London at which Mr Matutes intends to

Spanish officials said Mr



# Shipyard condemns Estonia report

By Tim Burt in Stockholm and Matej Vipotnik in Taltinn

files

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The official report into the Estonia ferry disaster of 1994 was condemned yesterday as incomplete and inaccurate by the German manufacturers of the ship, which sank with the loss of 852 lives.

Lawyers acting for Meyer Werft, the yard which built the Estonia, said the report was flawed in asserting that design faults and poor manufacturing of the ship's bow door locking machanisms Tallinn and Stockholm, after its bow door was ripped off from Sweden, Finland and in heavy seas.

However, shipping experts maritime accidents. commissioned by Meyer

tappels, senior partner of Hamburg law firm Ahlers & Vogel and chairman of the Meyer Werft panel.

Commission of Inquiry contradicted most of Meyer acknowledged that the crew might have contributed to the loss of life by not reducwere mainly to blame for the ing the ship's speed or not the inquiry. Several memaccident. The Estonia sank evacuating passengers in September 1994, hetween speedily enough.

Estonia - also concluded the Yesterday's report, due to ship's alarm systems had have been published more failed to alert the crew that than two years ago, con- the bow door had sheared cluded that the ship should off. But it emphasised that it have been fitted with stron- was not apportioning blame ger water-tight locks and a or liability for the sinking, better designed outer visor. one of the world's worst

Among 15 recommenda-Werft to conduct a separate tions aimed at avoiding simiinquiry said the Estonia was lar tragedies, the report against Meyer Werft.

poorly maintained and called for stricter criteria in unseaworthy at the time of the "design, manufacturing, the accident. "The intellec- assembly and approval of tual value of this report is components critical for the

less than the paper it is safety of passenger vessels".

printed on," said Peter HolThey also urged ferry oper-They also urged ferry oper-ators to review the design safety of elderly vessels and

Uno Laur, chairman of the While the three-nation commission, said shipowners should bear the cost of updating vessels which did Werft's contentions, it not conform to safety standards. He mada no commen about internal splits and delays which have dogged bers of the original inquir team resigned during the The commission - drawn drafting of the report.

Meanwhile, Swedish investigators began studying the findings for any evidence of criminal liability. Thomas Lindstrand, state prosecutor, said he would decide next month whether to begin proceedings. Pressure groups representing families of the Estonia victims are pressing for compensation, and have initiated legal proceedings

# Ireland on course to join euro

in Dublin

currency by 2000, Charlle and punitive rigour". McCreevy, finance minister, With the European Com-

told parliament yesterday. Unveiling a projected budto gross domestic product 2000, against the 60 per cent limit set by the European Union's Masstricht treaty.

Ireland is to meet the debt spending and correct tax rowing by 2000. requirements for member- inequities, striking a balance

qualified for the euro on the the tax net Capital spending distorts investment flows the governing body of get surplus for 1997-98 and basis of 1997-98 budget fig- is kept below 5 per cent. the following two years, Mr ures, Ireland was well set to McCreevy said Ireland's debt make the grade.

> in 1998-99 and 1.3 per cent in 1999-2000.

darity and hospitality to

ship of the European single between "proper rectitude by 3.7 per cent in 1997-98. including a I£517m tax and mission set to decide who will take 15,000 people out of states complaining that it Gaelic Athletic Association.

Announcing a 2p fall in receipts. income tax, Mr McCreevy The hudget would be in pledged the standard rate sbelters enjoyed by the rich, spokesman, accused Mr ratio would fall from 67 per surplus next year, at 0.3 of would be brought down to 20 cent in 1997 to 57 per cent by GDP in 1997-88, 0.6 per cent "in the next few

Standard corporation tax year. The government expects to was cut from 36 per cent to

Ireland'a special 10 per cent remained unchanged. Current spending will rise corporate tax rate for manu-

> and tax allowance schemes, Mr McCreevy projected savings of up to 1920m in one

Capital gains tax was

Mr McCreevy, an accoun-borrow LES9m (\$132m) to 32 per cent, in line with halved to 20 per cent. Duty tant by background, said his meet its spending shortfall. plans to adopt a universal on cigarettes and petrol was aim was to control public eliminating exchaquer hor- rate of 12.5 per cent by 2006. increased, while drink

One of the biggest reacfacturing companies has tions was prompted by his been a bone of contention, pledge to supply IC20m over allowance package, which with other EU member- the next three years for the

and diverts exchequer Ireland's national sport.
receipts. Michael Noonan, the oppo By tightening up on tax sition Fine Gael finance McCreavy of "creative accounting". He said it was an expansionary budget, sumer demand.

# EU asylum seeker policies slammed

driven out of Europe as a said the organisation. result of a push by European
Union member states to coto EU interior and justice ordinate their policies on ministers meeting in Brustional claimed yesterday.

the harmonisation process as a covert way to reduce flows of refugees to their territories, thus reneging on their responsibilities under

tinuously eroded by EU European tradition of soli- immigration policy.

asylum, Amnesty Interna- sels today, urging them to reverse the thrust of asylum The human rights group policies. It is particularly said countries were using opposed to the policy of sending asylum seekers back to "safe" third countries through which they have passed, without properly considering their claims. Amnesty and other refu-

"The right to seek and gee organisations bave enjoy asylum has been con- stepped up their campaign after important changes to member states over the past the way EU member states few years, neglecting the co-ordinate asylum and

those in need, and violating had been a matter for loose Asylum seekers are being international obligations." intergovernmental co-operacountries that disagreed with policies to go their own way. But under the new Amsterdam Treaty, decisions on asylum and refugee policy are legally binding on

> During a period of five years after the revised treaty comes into force, member states will only be able to take decisions after unanimous votes. However, after five years, they can vote unanimously to make decisions, subject to majority

all member states.

the harmonisation process, that asylum seekers are ers.

from the direct animals, interior ministries "safe" do not provide monographics, and do not provide mum guarantees, and do not have the necessary infrafrom the direct anthority of applications provides a good opportunity for the EU to rethink its approach.

In its letter, it urges member states to stop the practice of "dumping" refugees in the EU's immediate neighbouring states - classified by most EU members as "safe" countries and therefore eligible to consider asylum applications.

Many of these countries Despite its concerns about approach, with the effect guarantees for asylum seek-

Until now, asylum policy Amnesty believes the being pushed further and had been a matter for loose removal of asylum policies further back, to countries structure to deal with asylum seekers adequately.

Amnesty has proposed a series of specific steps to the improving their asylum policies. It wants all measures taken to respect interna tional standards for refugee protection; ensuring adequate means of subsistence for asylum seekers while they wait for a decision on aspiring to EU membership, their claim; ond new and are adopting a similar more generous minimum

# Crédit Lyonnais rescue plan delayed

Emma Tucker in Brussels

Continuad disagreemants with the French government over a new rescue plan for Crédit Lyonnais, the French state-owned bank, bava forced the European Commission to delay e decision on approving the plan until

at least the start of next

EU officials confirmed yesterday that Karel Van Miert; the competition commissioner, who has to decide

By Andrew Jack in Paris and French government's the two organisations must demands to give the bank be considered as part of the extra state aid, will not same rescue plan, and that present his case to the full Crédit Lyonnais should Commission until January at the earliest. A decision was due in mid-December.

The discussions centre on whether to separate the aid However, Dominique CDR's board expressed its provided to Crédit Lyonnais Strauss-Kahn, the finance, "indignation" at the "camnp to sell off more than FFr200hn (\$34hn) in gross bank's balance sheet for sale under a plan agreed in 1995.

incur significant additional penalties in response to rising estimates of the total cost of the rescue.

from that given to CDR, the economics and industry state-controlled vehicle set minister, has argued in meetings with Mr Van Miert that the two entities should assets removed from the be considered separately, and Crédit Lyonnais should ander a plan agreed in 1995, not. he penalised for the Tha Commission argues losses registered by CDR.

been angered by suggestions the bail-out are the result of the way in which their originally permitted in the

organisation has been managed. In an internal memo sent to staff last week. responsible.

They argue that the total losses incurred by CDR are likely to be about FFr100bn, in line with estimates total state aid.

ahready provided last year, PolyGram huys Credit Lycand considerably below fignals film library, Page 15

Executives at CDR have ures of about FFr150hn now being circulated.

They stress that the losses - larger than the FFr45bn 1995 plan - are the result of the fact that no audit was carried out into the assets ahead of the creation of CDR. They say Crédit Lyonpaign" suggesting they are nais failed to make adequate provisions shead of the transfer of these assets.

They also disagree with the EU's method to assess

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# wrangle at Congo talks

Big loans to Mobutu regime now branded as irresponsible

By Michael Holman

Liability for external debt arrears exceeding \$1bn will he a significant feature of ons when an international conference on the reconstruction of the Democratic Republic of Congo opens in Brussels today. At the formal session of

the "Friends of Congo" meeting heing chaired by the World Bank, government delegates are expected to argue that three agencies the World Bank, International Monetary Fund and Africa Development Bank acted irresponsibly in lending to the ousted regime of President Mobutu Sese Seko despite evidence of endemic

Congo's external deht stands at \$14.6bn - including \$10bn to hilateral creditors (the Paris Club) and \$3.1bn to multilateral lending agencies. This is equivalent to about 225 per cent of former Zaire'a gross domestic product and more than 850 per cent of its exports.

Deht servicing, which had long been erratic, was discontinued altogether in 1993 and arrears have risen to about \$9bn. The World Bank with arrears standing at \$150m, while arrears on repayment to the IMF and Africa Development Bank total \$450m and \$550m

World Bank officials say new lending can get under way. But Congo's officials have argued that the lending institutions were in dereliction of their duties by allowing the Mohutu regime to

The issue surfaced during preliminary talks between donors and Kinshasa offi-

Bank officials acknowl-



Kabila: may receive some debt 'forgiveness'

emphasised that they would assist the government to find a solution given Congo's strategic importance

Reconstruction of Congo is "among the highest priorities for Africa", said a World Bank statement. "Instability in the Congo and in the Great Lakes region has repercussions throughout the continent, , a growing share of the debt is \$1.4bn and prosperous Congo would have a very positive impact on regional stability."

Speaking in an interview ference, Jean-Claude Masangu, governor of Congo's that agreement on how to Financial Times the aim was handle the arrears would to get new funds flowing in have to be reached before that would exceed the amount Congo owed.

"The objective is to have a rescheduling and some forgiveness...We are talking about settling arrears of \$1.1bn-\$1.5bn out of the run up such substantial \$14bn total, which is man-

Allegations of human rights abuses overshadowed the conference, with western donors expressing concern about the continuing hold-up edged that repayment of the of a United Nations probe arrears presented a formida- into atrocities against Rwanble obstacle to a successful dan refugees.

# Debt arrear Kyoto compromise move on gas agreement

By Bethan Hutton in Kyoto

The first compromise to emerge from the climate change discussions in Kyoto looks likely to be on tha issue of which gases should be covered by any agreement.
Negotiating parties are split

between those who want to deal only with the three basic greenbouse gases - carbon dioxide, methane and nitrous oxide - at an agreement covering three

(HFCs) have replaced the CFCs and negotiations. banned because of their damage to the ozone layer. Emissions of these gases are much smaller than the first group, hut their global warming effect can be thousands of times stronger than carbon diox-

Raul Estrada, the Argentine chairman of the committee of the this time, and those who also want whole conference, yesterday proposed a compromise solution that would involve deferring commit-

Perfinorocarbons, sulphur hexaf- ment on the second three gases for three" or "two baskets" approach. Inoride, and bydrofluorocarbons a year, to allow further research

> the three original gases," Mr Estrada said, but he added that at the same time participants would agree to develop an annexe to the Kyoto protocol to cover the remaining three gases, which would be adopted at the next climate change convention, planned for November next year. The approach

The EU and Japan have based their proposals on the first three "It seems that the trend now is gases, while the US. Canada and to agree in Kvoto on regulation of New Zealand are pressing for coverage of all six. EU officials vesterday described the three-plus-three proposal as "promising", but

> ficulty cutting emissions of the second three gases, was more guarded. Melinda Kimhle, of the US dele

Greenpeace, the environmental

campaign group, said that dealing with the two "baskets" separately would open up a hig loophole. "Every time they have done this with another big issue, it has just Japan, which could have more difdisappeared," said Matthew Spencer, science officer for Greenpe He pointed to the example of coverage of emissions from aircraft and shipping, which were set aside to gation, said Washington was con be dealt with separately, and cerned that another negotiation

# Hard task to win US friends for the earth

there is one US policy-maker who knowa how the administration could build political support for a treaty to tackle climate change, it is probably Carol

As administrator of the Environmental Protection Agency (EPA), ahe has had to face down a torrent of anger from industry over the rather narrower, but also hitterly controversial issue of clean air standards.

To the surprise of many sional sceptics have so far failed to muster enough support to reverse or delay the tough new curbs on soot and smog which she announced This in part reflects ber

decision to present air pollution as an issue of childrens' health - something no legis-But building a constituency - in Congress, business and

ment, according to Ms Browner and other advocates of action on global warming.

"The [climate change] issue is made harder by the fact that its consequences may not come to pass for some time, whereas with the air standards, you were talking about increases in asthma occurring here and now," says Ms Browner.

Ms Browner believes the administration should give a high priority to educating the public and countering the "bad information" which has been disseminated by political observers, Congres- husiness lohhies which oppose any mandatory curbs on the emission of heat-trapping greenhouse gases. The aceptics' campaign

has stressed the argument that beavy-handed environmental regulation is socially regressive: it burts vulnerable groups such as small business, senior citizens and effort by opponents of early

transport and manufacturing industry - has left the US public confused.

This campaign, the EPA boss says, "does nothing to allow honest, straightforward and information-based dialogue that could help to find appropriate aclutions' and it exaggerates the its would require basic changes of life-style. In practice, she added, the

recent history of environmental regulation "hasn't been about life-style choices, it's heen about large industry reducing its pollution often through new, cost-effective technologies". Scep-tics have argued that climate change differs radically from all other, more specific ecological problems in that it does require changes of life-

style rather than quick fixes. That might be true, concedes Ms Browner, "if you assume that we're going to do it solely based on the lator can afford to dismiss. African-Americans, they say. technology that exists ing retaining and refining part. But building a constituency A massive advertising today". But that was the the existing system of incenwrong basis for policy: "You have to assume that to tackle climate change will financed by the oil, coal, even hetter toois to solve and wind power. But freeing in October that the US



Alternative power, wind turbines in the Yucca Valley, California

this problem will emerge." Ms Browner said a longawaited electricity restructuring bill, which the administration has promised to introduce early next year, would provide an opportu-nity to promote several public policy goals: energy efficiency, clean air and the limitation of carbon emis-

While advocates of "fasttrack" deregulation favour allowing a completely free hand in the choice of fuels, the EPA chief said the administration was considertives to use renawable energy sources such as solar

up the power sector would not necessarily lead to a massive change in the fuels used in energy production, from coal to gas, Ma Browner said: the administration could not prejudge the results.

If the administration faces an uphill struggle with pubtougher battle in the Senate, which voted unanimously last summer to oppose any Kyoto treaty that damaged the US economy and failed to ensure that developing countries played their

President Bill Clinton insisted when he unveiled

ing countries before agreeing to any system of curbs by the industrial world.

David Hawkins, a lawyer with the Natural Resources Defense Council, said advomate change should simply appeal to the common-ser caution that Americans apply in daily life.

"If you're speeding down an unfamiliar road in the dark, you don't make the argument that nobody has proved the existence of any sharp curves." he said, "You

**Bruce Clark** 

# Nuclear lobby finds its option is kept quiet

By Bethan Hutton

The Kyoto conference on climate change is an occasion for all governments to present their greenest possible face. But several of them are in the awkward position of relying on nuclear energy to cut greenhouse gas emissious - a point they prefer not to dwell on oil or gas. in public for fear of damaging their green credentials.

in force at Kyoto - is, on the other which has led to the abandonment to achieve further reductions, but sharply against it. There are now hand, keen to point out that in terms of greenhouse gas emissions, nuclear power bas a clear advantage. According to industry groups, nuclear generation prevents the emission of 2.3bn tonnes of carbon dioxide each year, if the same power were generated using

The nuclear lobby is trying to The nuclear power lobby - out which to turn the anti-nuclear tide to rely heavily on nuclear power have turned public opinion or accept more nuclear power.

developed countries. But if the reticence of one big nuclear-generatpushing the "green nuclear energy" message is a losing battle. Japan has one of the lowest per

capita emissions levels among

ing country is anything to go by, replies, despite the Japanese government's previously announced plans to build a further 20 nuclear

of nuclear programmes in most that fact is not one it is choosing serious doubts about whether to publicise at Kyoto, Questions on Japan will be able to build more the subject receive extremely curt than one or two of the plants . which would threaten its planned cuts in greenhouse gas emissions.

bnt the Japanese public may even-But after decades of public tually be presented with a clear developed countries - helped in no acceptance of nuclear power, a choice: make significant lifestyle small measure by its use of recent series of accidents and cov- changes, in terms of domestic use climate change as an issue on nuclear power. It is also intending er-ups in Japan's nuclear industry energy consumption and car use,

# A TELEMALTA INITIATIVE

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Full details including the official pre-selection document may be obtained by contacting:

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Fax: 00356-242000 Tel: 00356-243033 e-mail: millennium@maltanet.net

The closing date for official registration of interest is

# Lebanon weighs plan to cut waste and raise \$2bn abroad

But there are doubts proposals to sharpen up bureaucracy will ever be implemented

By Roula Khalaf in London

Rafiq Hariri, Lehanon's prime minister, yesterday served up an economic plan at trimming administrative waste and raising \$2bn on international capital markets in a partial restructuring of Lehanon's

The plan, presented to the cabinet, is a proposal hy Mr Hariri worked out in a rare compromise with Nabth Berri, speaker of the parliament - a critic of the prime minister - and Elias Hrawi, the president.

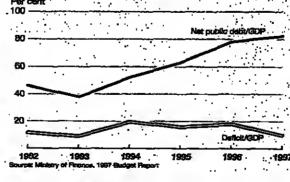
The cabinet shot down Mr Hariri's proposal in September to raise \$800m in new deht and impose new taxes and price increases considered unacceptable by the rest of the political class. The compromise between Lebanon's "troika" comes amid rising concerns over deteriorating public finances. The budget deficit has been consistantly overshooting its target and

is now running at 53 per cent of spending.
With total deht reaching more than 85 per cent of gross domestic product, and pressures on the casbstrapped government to currency market has grown increasingly nervous in recent months, forcing from expensive short-term

support the Lebanese pound. The political consensus currency debt, bas now sent a reassuring message to the currency market. The central bank this week was reported to be buying dollars inatead of injecting foreign currency into the market. But the short-term

economic effects of the plan,

Lebanon: public finances



which remains subject to parliamentary approval, will be limited. Its benefits in the long run will depend on whether the administrative measures outlined are put

into practice.

Government officials said the \$2bn ceiling would be raised in several tranches in the form of international bonds, syndicated loans and bilateral loans, depending on

has been welcomed in Beirut. But there is much scepticism whether the proposals will ever be implamanted, especially since the plan specifies that market conditions. several proposals will not be

The budget deficit has consistently been overshooting its target

The foreign borrowings, increase social spending, the with maturities reaching up to 30 years, should lead to a slight debt restructuring central bank intervention to Lebanese pound debt to ministries and security cheaper longer-term foreign

According to ona economist, the savings on allocated to be retrained or debt servicing in 1998 will be only about \$120m out of a \$2bn bill. Economists have also raised concerns that the staff in the Lebanese plan includes few revenue-The most significant is a

tackled until after the presidential elections, scheduled for summer 1998.

I per cent sales tax which

will go into a fund at the

central bank and be used to

are being made to cut waste

The news that attempts

The measures include a hiring freeze, a merging of bodies, and the creation of a department to which all surplus employees will be given early retirement.

Previous attempts at shedding some of the 160,000 bureaucracy have fallen prey to political and sectarian

**NEWS DIGEST** 

## Strike shuts down Israel

Israel's public sector workers yesterday brought the economy to a balt in a strike against pension reform and privatisation. The strike, called by the Histadrut, the trade union federation, shut Ben Gurion international airport, ports, railways, banks and government offices as well as electricity, telecommunications and defence industries, and the stock exchange.

The labour court ordered the strikers back to work, but Amir Peretz, head of the Histadrut, declined to call off the strike. Mr Peretz claims Yaakov Neeman, the finance minister, reneged on a pension plan agreed by the former Labour government two weeks before it lost power in the May 1996 election. Mr Neeman says the agreement has no Judy Dempsey, Jerusalem

**■ EGYPT-QATAR DISPUTE** 

## Saudis try to mediate

Saudi Arabia was yesterday attempting to resolve a dispute between Egypt and Qatar, which has accused Egypt of involvement in a coup attempt against the Qatari leader. Hosni Mnbarak, the Egyptian president, yesterday flew to the Saudi Arabian capital Riyadh. Qatar had earlier requested Saudi mediation.

Sheikh Hamad bin Khalifa al-Thani, the Qatari leader. was also reported to have travelled to Riyadh yesterday. The diplomat said there were no immediate plans for the two leaders to meet, suggesting a shuttle diplomacy by Saudi officials. Egypt has denied involvement in the attempt in 1996 to reinstate Sheikh Hamad's father Sheikh Khalifa to the throne, following the latter's overthrow by

TURKMENISTAN

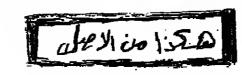
## Gas export to Turkey agreed

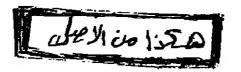
Royal Dutch/Shell plans to export Turkmenistan's natural gas to Turkey via Iran. Sepurmurat Niyazov, president of Turkmenistan, has asked the company to lead a consortium to build a pipeline to transport the gas possibly as early as 2000. There are a number of political hurdles before further progress can be made, In May, Turkmenistan signed a protocol with Turkey

and Iran on huilding the pipeline. Eventually, Turkmenistan envisages pumping 20bn-30bn cubic metres of gas through the line, which would cost \$1.6bn-\$2bn. Turkmenistan has been desperate to find alternative export routes for its gas, which it currently exports

through Russia. The Russian pipelines are controlled by Russian gas monopoly Gazprom, which has restricted Turkmenistan's access to west European markets. The route through Iran to Turkey is fraught with difficulties, though First, US sanctions on Iran make funding the Iranian leg particularly touchy. Second, Gazprom would like to preserve the Turkish gas market for itself, and opposes Turkmenistan's plans to compete.

Shell, which two weeks ago signed a strategic partnership with Gazprom, may find itself caught between conflicting interests. In the strategic alliance, Shell and Gazprom had agreed to work together to export Russian gas to Turkey across the Black Sea.





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# Korea Inc may turn to market system

By John Burton in Seoul

The expected conditions laid down by the International Monetary Fund for its \$55bn rescue of South Korea may eventually transform the world's 11th largest economy into one based on market principles insteed of state directives.

Precise terms of the bailout will remain unknown until the IMF board of directors epproves the accord, bnt it is thought the IMF has demanded a restructuring of Korea Inc, the close collaboration between big business and government.

of emerging countries, has become outmoded. Korea has ballooned, with a heavy weight of debts as it became more prosperous. The IMF programme is meant to put of being unable to pay ings potential rather than Development, but rejected as twice its gross domestic of the conglomerates.

could result in a drastic reorganisation of the chaebol, the conglomerates that dominate the South Korean economy.

The spendthrift habits of the chaebol, encouraged by a government bent on making Korea a global industrial power, bas led the nation into its present debt crisis and the need to ask the IMF for aid.

After decades of expansion, the chaebol were no longer able to service their buge debts as their industries were bit by price della tion due to excess investment. The collapse of several their overseas borrowings. Thet model, once the envy conglomerates this year caused a crisis among banks with beavy loan exposures to the chaebol. An IMF rescue become inevitable as the banks were in danger

The big bail-outs



The IMF remedy, if implemented properly, would help free the financial sector from intrusive state control, while forcing the chaebol to make the Organisation for Ecoinvestments based on earn- nomic Co-operation and

market share. The IMF terms are likely to be similar to recommendations urged for years by other international organisations such as

Korea is one of the last transitional economies to market capitalism." said David Hale, chief global strategist for the Zurich

A wider opening of the debt and equity markets to foreign investors and independence for the central hank would help remove the weight of state intervention wielded by the finance min-

Foreign participation in the financial sector, includ-ing possible takeover of financial institutions, would and an emphasis on credit analysis now lacking.

The bail-out would promote debt liquidation in an economy with total debts of

threatening by Korea's product of \$500bm. according vested interests. to Standard & Poor's, the US credit rating agency.

This will have a severe impact on the choebol as they are forced to operate in a more competitive economy driven by a tighter monetary policy and reduced trade barriers.

A reduction in bank lend-ing will force them to turn to capital markets for financlng, subjecting them to investor discipline as corporate transparency improves and family owners yield con-trol to shareholders.

This process will come with a high cost, with rises in unemployment and possible labour unrest. But it will result in a balanced eco-nomic structure that will benefit more people as busi-

# Tokyo pumps liquidity into bank system

By Gillian Tett in Tokyo

The Bank of Japan yesterday provided Y600bn (\$4.7bn) worth of emergency short-term loans to the country's banks in an escalation of its efforts to avert a serious liquidity squeeze.

The intervention reflected fears that weaker banks and brokers could face the type of credit crunch that led last month to the failure of Hokkaido Takushoku, the coun-try's tenth largest commercial bank, and Yamaichi, the fourth largest broker. The BoJ's initiative fol-

lowed earlier moves to avert a credit crunch by flooding the money markets with liquidity last week. While the new loans should ease the banks' domestic funding problems, the davelopment came amid signs that the banks face unprecedented problems raising funds in international markets.

The so-called "Japan premium" - or the extra cost Japanese banks have to pay compared with their US and Buropean counterparts rose to around 116 basis points for three-month eurodollar contracts for weaker banks. Stronger banks are now paying around 106 basis points over the current eurodollar rate of 5.875 per cent. Such a rise usually occurs each December, because banks want to raise funds for their year-end positions. However, the present surge has taken the rate to record levels - and about twice the

size of the previous record evels seen in 1995. The rise reflects international concerns that other groups could fail, traders said. In autumn the premium was less than 20 basis Sumitomo Bank from AA

uty head of the ministry of finance's banking bureau yesterday insisted that no more banks - excluding credit co-operatives - would fail "in the foreseeable future". "No bank to my knowledge is insolvent." he said. "If tha banks have problems now it is with liquidity, and the Bank of Japan will provide enough funds to support them."

some pi

Astra is

The central bank yesterday offered the loans to the banks under a mechanism known as "article 20" which has been activated as an emergency measure since Yamaichi's collapse. The measure, which may be used again today, allows the central bank to offer short-term loans at the official discount rate in exchange for collat-

in a move likely to raise the pressure on weakar banks, Moody's, the US credit rating agency, said it was considering downgrading the debt of three regional banks, Ashikaga, Kiyo and Hokuriku. The groups are currently rated at Baa3 for their senior debt. If they fall below this they will be ranked "junk bond" status.
The demotion of Yamaichi's debt to tunk bond status last month was a key factor that triggered a liquid-Ity squeeze that caused the

broker's failure. IBCA, another credit rating agency, also said that it had downgraded Long Term Credit Bank's long-term debt from A minus to BBB plus three notches above junk bond status. The group also downgraded the long term debt of Dai-Ichi Kangyo Bank, Sanwa Bank and

**NEWS DIGEST** 

## Thais expect debt roll-over

Thailand's central bank said yesterday that \$6bn in foreign debt came due this month but that figures from October and November indicated that creditors were to roll over most of that amount

Of the \$7bn in foreign debt that came due in October, \$6.5bn was rolled over, said the central bank governor, Chaiyawat Wibulswasdi. An additional \$5bn came due in November and preliminary indications showed a similar percentage to that of October had been rolled over.

Concerns about the roll-over of of Thailand's \$37bn of foreign debt that comes due by next September are two-fold. Authorities say that if a substantial amount is called in, the \$17.2bn International Monetary Fund rescue package will be insufficient to keep foreign currency reserves at a sustainable level.

in addition, if corporations must buy dollars to repay their foreign debt there will be added pressure on the exchange rate. Dollar buying by corporations worried about the weakness of the pushed the Thai currency to a new record low yesterday of Bt42.95 to the US dollar before recovering slightly on central bank intervention and news of a deal between Sonth Korea and the IMF.

Ted Bardacke, Bangkok

■ HONG KONG

## **UK** pressed on Vietnamese

China yesterday pressed Britain to resolve the problem of Vietnamese refugees in Hong Kong, raising the dispute for the first time since the territory returned to Chinese sovereignty in July.

"The Chinese side regrets the failure to have a thorough and complete solution to the problem before July 1", said Wang Guisheng, China's chief representative to the Joint Liaison Group (JLG). The JLG, which oversees Hong Kong's transition to mainland sovereignty,

was meeting for the first time since the handover. Mr Wang said Britain had responsibility for relocating the remaining 1,200 Vietnamese refugees because it had allowed its former colony to serve as a port of first asylum. "As long as the question remains unsolved, the British side should bear the responsibility to completely

resolve it", said the Chinese official. Britain's chief representative rejected Beijing's claim. "We recognise that wa are no longer tha sovereign power and that responsibility has passed to China", said Alan Paul. "We are not walking away from the problem, we are standing ready to help." He added that Britain had taken more than 15,000 refugees. "We have done as much as we

The two sides also discussed next year's legislative elections in Hong Kong and the submission to the United Nations of human rights reports on the territory. "We were very pleased that before the meeting, the Chinese government announced it would be submitting reports to the UN", said Mr Paul. "It was a good omen for the meeting." John Ridding, Hong Kong

■ PHILIPPINE POLITICS

## MPs pass tax reform

The Philippine lower house yesterday approved the final portion of a comprehensive tax reform, ending a two-year legislative debate. The upper house is expected to ratify the package today, providing President Fidel Ramos with a welcome fillip at a time of a worsening economic The finance ministry said the reform, designed to

revitalise the tax system and provide a dependable flow of revenue as privatisation proceeds tail off, would provide the government with an additional annual revenue of 5.8bn pesos to 7.2bn pesos (\$167m to \$207m). Approval by the lower house, the House of Representatives, follows intense wrangling over individual tax exemption levels and represents an acceptance of the more conservative version proposed in the Senate that sets an exemption level of 98,400 pesos (\$2,825) for a family of six,

## How the IMF is brought into the drama The importance of the Inter-the IMF to take on the role of national Monetary Fund has doctor. It is in their interest to brings back some measure of con-fidence among other lenders. with the spirit of the institution. But the Fund does not part with

number of countries needing bailont packages after recently capital

The IMF, founded after the second world war as one of the Bret- IMF to speed the rescue package. ton Woods institutions to ensure stability in the world economy. lends money to member countries with balance of payments probassistance the IMF hopes to prevent countries taking more drastic US are interested parties. steps, such as restricting trade.

sort of mess, distress calls usually into the economy. This helps the go out to the IMF. In some cases, country get over the balance payother countries put pressure on ments problem and hopefully below market rates in keeping

grown with the increasing revive the ailing economy - which probably has been the recipient of investment and a market for exports. For instance, in the case of Mexico, the US leaned on the

In the case of Thailand, where Japanese banks hold more than half of total foreign bank lending, Japan clearly had an interest in an lems. By providing short-term IMF package. Now in South Korea – as in Indonesia – Japan and the

What the IMF does is to inject When countries get into that much-needed foreign exchange

Congress, India's oldest party which has ruled the

country for all but five years of its independence, sparked the current three-week crisis

by threatening to end lts

parliamentary support unless the UF ejected a

netra Kazhagam was alleged

ending at Rs39.32 after Tues-

P. Chidambaram, finance

minister, said the political

uncertainty had "taken a

However, the uncertainty

did not derail the successful

pricing yesterday of a \$358m

international share offering

by MTNL, the state-owned

telephone company. The timing of India's 12th

general election since inde-

pendence 50 years ago would

the world's biggest poll. He

days of parliament's dissolu-

tion, making February elec-

MTNL issue, International Company News

tions most likely.

day's close of Rs39.26.

toll" on the rupee.

The ailing country purchases currencies of other countries (usually dollars, sterling, D-Marks or yen) from the IMF with its own currency. When repaying the Fund, the member country has to repurchase its own currency with special drawing rights (a unique artificial currency, which is part of most countries' foreign change reserves) or other currencies specified by the Fund,

within a specified time. Loans are usually at 4 per cent interest, plus 0.5 per cent as a ser-vice charge and commitment fees. In all, the rates are fixed at just

all this monay without strings attached. It wants the borrowing country first to convince the IMF that it will not not misuse the money and that it will reform its economy so that it will be in a position to repay the loan. This conditionality is often unpopular in the country affected so the govment often finds it useful to

hlame the IMP for the pain. One way of ensuring discipline is to pay the loan in tranches, rather than in one shot. The loan is reeled out as the country makes progress with economic adjustment. Fund officials keep a close tab on the country's economic

Since the Mexico crisis, the IMF has tightened its surveillance procedure and now asks member countries to provide more data. The Fund also posts its own people in these countries.

The IMF package is often pro-vided in conjunction with other lenders - other multilateral agencies (the World Bank or the Asian Development Bank) or "bilateral donors", which are other governments. In both Indonesia and Thailand, the IMP package totalled only 25 per cent of the total pledged by a mix of multilateral agencies and government donors.

Rajrishi Singhal

# second election in two years

By Mark Nicholson in New Delfri

K.R. Narayanan, India's president, is expected to dissolve parliament and order fresh general elections today as pollticians apparently exhausted efforts to replace Tamil Nadu-based coalition government with an alterna-

Mr Narayanan's decision Tamil Tigers, the assassins is likely to follow a meeting of Rajiv Gandhi, former Conthis morning with I.K. Gujral, who has been acting as caretaker prime minister since the fall of his UF government last Friday.

Mr Gujral last night rupee to a succession of handed Mr Narayanan a "unanimous" recommendation for elections from the caretaker UF cabinet. Mr Gujral resigned after Congress withdrew support for his minority coalition.

Both main partias appeared resigned to facing India's 600m-strong elector ate for the second time in two years. The opposition Bharativa Janata party, parliament's biggest, urged the president to call early polls. Congress, meanwhile, said it would welcome "any decision" from the president.

be decided by M.S. Gill, chief election commissioner responsible for organising The statements seemed to close the door on a week of frantic attempts to manufacture a fresh coalition from

bas said elections would be Dissolution of parliament practicable only within 60 the existing parliament. would come just 18 months after india's last elections provided a fragmented mandate from which the 15-party UF coalition emerged.

# Indians set for A message from the general

A the height of the battle for political power in Pakistan supporters of Nawaz Sharif. the Supreme Court which was hearing a contempt case against him.

The country's president and the chief justice appealed to the head of the army to protect the court. General Jehangir Karamat played by the book: he forwarded the requests to the defence ministry, which is

tary matters and falls under

to have aided the Sri Lankan the prime minister's office. President Farooq Leghari and Justice Sajjad Ali Shah gress leader. The UF refused. got the message. Days later their challenge to the prime minister crumbled. On Tues-The resulting three-week political crisis caused jitters in the Bombay stock market day they quit their posts and and has helped push the Mr Sharif emerged triumphant in the struggle for record lows since early last dominance between the leadweek. It eased to another ing institutions of the counagainst the dollar yesterday, try's fragile democracy.

To observers of Pakistani asking if there will there be there has been a permanent to the US. a coup, there was more to shift by the military from its signal that he was siding policy matters.

with the prime minister. predecessors often sought times ignoring the bureancrats at the defence minis-

was: we are prepared to usually mean just that. mediate, even to take sides, but not to rule.

"The army chief's role was something of an intervention mat sbuttled between the but it was one that leaves prime minister and tha presithe military without taking responsibility for running the country," says Ghazi Salahuddin, a leading political commentator.



Soldiers watch as Farooq Leghari talks to reporters after his resignation

In recent years, opposition anti-government campaigns. Terms such as a "wink or a

Many observers say that tha military's decision to tals." stay neutral while Gen Karadent, was the decisive factor that resolved the crisis.

Some of Gen Karamat's politicians have usually tried country's weak economic predecessors often sought to seek some measure of outlook. "An outright milipretexts to enhance the mili-tary's rola in politics, at military before launching would make Pakistan look This time the message in domestic political jargon moves against an alected

"This [resolution of the

politics more accustomed to it is too early to argue that Lodhi, a former ambassador a coup, there was more to shift by the military from its Other analysts say that the general's message than a considerable infinence in the military's approach is

partly driven by international pressures and the like a pariah." said a western diplomat. "Even quiet parliament would have been unwelcome in western capi-

Others say that the military is worried about Pakistan's economic problems. It has had little experience maneging the economy. largely because it ruled the crisis] did show that the country during the days final factor was the mili- when large amounts of for-

Many warn, however, that tary's role," said Malecha eign assistance during the cold war helped to meet bndget shortfalls. "The military was swayed

to remain neutral because of the economic outlook. They knew that a democratic government had a better chance to lead a recovery," said Ikram Sehgal, a leading commentator. In October Mr Sharif won International Monetary

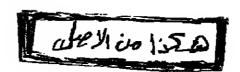
Fund support for a \$1.56bn loan, considered a vital guarantee for new commercial loans to keep the country's finances intact. The importance of such

concerns would not be lost on a military that receives a generous 25 per cent of the national budget - second only to debt servicing.

Farhan Bokhari

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THURSDAY DECEMBER 4 1997

Some people say all that testing of the new Astra is going too far.

9,000,000 km

However, Opel engineers disagree. They insist that for its debut next spring, the new Astra must excel in every way in safety, comfort, performance and reliability. 600 pilot models of the new Astra have therefore been tested well over 9 million kilometers - equal to an extraordinary 240 trips around the Earth. From the demanding roadways of Europe, to the blistering asphalt of Arizona. They have passed this rigorous testing with honors. With all of these milestones behind it, signs point to Astra as being a car that you can look forward to.



# Court puts spotlight on Gates Canadian gir ticket

Unpopular Microsoft is accused of breaking terms of an anti-trust settlement

graphed but tomorrow he will be stepping to a different tune. The Microsoft PC user, this argument chairman will be in a Washington courtroom, where his company stands accused of anti-trust violations.

For the first time in the more than seven years that Microsoft has been under scrutiny by US competition regulators, the software industry titan may have been caught flat-footed.

Surprisingly unsophisticated in the ways of Washington, Microsoft has been outmanoeuvred by the public relations tactics of consumer lobbyists such as Raiph Nader and its critics in Congress as well as Janet Reno, the attorney-general.

The company is on trial in the court of public opinion for its overwhelming success: its influence over the industry is perceived as too broad, its control of the personal computer software market too absolute, its competitive tactics too harsh, its top executives too rich. But in the courtroom of Judge Thomas Penfield Jackson, the charges against Microsoft are more apecific and potentially more damaging.

The US Justice Department has charged that Microsoft has broken the terms of a 1995 anti-trust settlement. According to the complaint, Microsoft has forced PC makers to include internet Explorer, its internet browser software, with copies of the widely used Windows 95 operating system when the software is factory-installed on new PCs.

Microsoft is "unlawfully taking advantage of its Windows monopoly to protect and extend that monopoly", the Justice Department

Microsoft Insists the charges are baseless. The company requires PC manufacturers to install the software because Internet Explorer is an "integrated part" of Windows rather ask Judge Jackson to disthan a separate, bundled miss the case outright. Yet product, Mr Gates said. The with hundreds of pages of 1995 antitrust settlement arguments already submitexplicitly exempted "inte- ted by both sides, asking for ple at Microsoft that Win- est complaint against Micro-

pointed out.

Yet even to the ordinary sounds fishy. Retail computer stores offer internet Explorer as a separate product. Users of the Apple Macintosh - with its "non-Windows" operating system -

ever, to narrow the issues of the case to those that relate Justice Department can directly to the consent

The company acknowledged it has "no idea" what the future - prevent the will happen in court. Oral addition of technologies such arguments are scheduled, as speech recognition and but may be brief. The judge gesture recognition now can also buy special versions could ask both sides to agree under development in

products Internet Explorer 4.0

Its actions are undermining consumer choice

part of Windows prior to the consent decree

consumers

Link; bitp://www.microsoft.com/

of Internet Explorer, so how

That is icrelevant, Micro-

can it be part of Windows?

soft said, because the com-

plaint is based on alleged

violations of the consent

decree, which addressed

only the terms on which

Microsoft licensed software

Tomorrow, Microsoft will

to PC manufacturers.

each category separately

(3)

The case is a "contract dispute" in which differing interpretations of the wording

Microsoft is forcing PC manufacturers to install Internet Explorer, its internet

Internet Explorer is a separate product, not an "integrated part" of Windows. The

products are sold separately at retail and the company measures its market share in

Microsoft's interpretation of the consent decree is so broad that it would allow

It did not lay out its plans to make an internst browser part of Windows before

It is interfering in the design of products and threatening the company's ability to

the company to call a ham sandwich an integrated part of Windows

t should pay \$1m a day in fines until it casses these unlawful activity

third parties would not work with Windows If IE were remove

include new features and functions in new versions of Windo

Microsoft must insist that PC manufacturers install Internet Explorer together

Microsoft included IE in the version of Windows 95 that it licenses to PC

lts action might benefit Microsoft competitors, but it is of no benefit to

hearings, or he may rule on

issues that determine the

breadth - and thus signifi-

However, Mr Gates' plan

to be present in the court-

room demonstrates the

importance he attaches to

the event. He thinks that if

the Justice Department wins

it will undermine the ability

of Microsoft to maintain its

It is a fundamental princi-

technology leadership.

cance - of the entire case.

Windows because IE is part of Windows. Many application programs written by

● The language of the consent decree is plain. It clearly allows the company to

manufacturers from the day it started shipping the program in 1995

The Justice Department was aware of Microsoft's plans to make IE an image.

on a schedule for further Microsoft's laboratories.

rowser program, as a condition of installing Windows 95 on their products

Best of the Ven Official States Office College

Bill Gates' public grated products" from a a swift judgment may be a dows should continue to soft may be just the latest appearances are usu-clause covering unlawful long shot. improve with new features example of the law trying to ally carefully chorec- hundling, the company Microsoft will hope, how and functions that make PCs keep pace with fast-changing easier to use, he said. If the The irony is that if the

block the company from Justice Department should adding an internet browser succeed in putting a crimp on Microsoft, the only beneto Windows, it may also - in ficiaries may be a clutch of competitors who have so far failed to usurp the company's market leadership. These including Oracle, Sun Microsystems and Netscape The Justice Department vs Microsoft

Communications. Most of the leading US computer companies including Hewlett-Psckard, Digital Equipment and Unisys, have hitched their wagons to Microsoft's ambitions to become a top supplier of software for big computer systems as well as the desktop. Even International Business Machines, Microsoft's traditional nemests, is offering computers running the Windows NT operating sys-

Consumers may gain a broader choice of personal computer software if Microsoft is forced to modify its sales tactics, but who is to say that other companies can produce better, more innovative products? With an annual research budget of nearly \$2bn, Microsoft is now spending more than most of its competitors combined on advancing the way that people interact with

It also plays a significant role in the US economy. The company is one of the foundations of the US high technology industry, which generated over \$750bn in sales last year and more than \$150bm in exports.

Perhaps Microsoft's weakness is that It lacks foreign competitors. Even the hint of a challenge from outside the US would surely have Washington politicians rallying to its aid. As it is, the company must be content with the support of groups such as the Metropolitan King County Council, in its home town of Redmond, Washington, which voted unanimously this week to back the company in its

Louise Kehoe | charter carriers.

## air ticket plan irks operators

By Scott Morrison

Canada's tour operators and travel agents have htt at proposals by the federal transport regulator that could damage the discount travel sector by banning lest-minute sales of low-cost Hckets.

Tour operators say they have been told the Canadian Transportation Agency (CTA) intends to start enforcing largely ignored 20-year-old rules. The proposal appears at odds with the recent deregulation of Canada's airline industry and the growth of open skies travel in North America. The CTA, which regulates

economic practices in the strine, rall and marine sectors, said it wanted to finetime regulations and enforce them through periodic inspections and complaints, but denied it planned more spot checks. The CTA is also suggesting the introduction of monetary penalties to allow it greater flexibility in dealing with offending char-ter airlines.

The CTA says it will comtinue to ban discount charter ticket sales within seven days of departure and impose limits on the number of seats than can be sold on charter flights within 14 days of travel. It will also continue to set minimum charter ticket prices, though travel agents say minimum prices on charter flights have not been enforced for 15 years.

As about 50 per cent of charter tickets are sold within 14 days of departure, enforcing the regulations would hit the country's four top charter carriers, as well as tour operators and as many as a third of travel agents, says Harry Borenstein, president of The Last Minute Club, which specialises in discount tickets. Analysis said enforcement

of the regulations would not be likely to hurt foreign airlines, as they do not serve the same routes as Canadian

Markets harder than 'Stonewall'

**NEWS DIGEST** 

# Rubin hails regional reform

Latin America has escaped the worst of the recent turbulence in international financial markets because of its deep economic reforms over the past decade and its progress in strengthening its own financial markets, according to Robert Rubin, US treasury secretary. But much remained to be done to improve supervision and promote greater efficency, he said.

Speaking in Santiago at a meeting of finance ministers from the western hemisphere to discuss issues of financial integration, Mr Rubin said "financial systems that impose discipline on companies" were "essential for sustainable economic growth".

In an indirect reference to the problems in several Asian economies, he said on Tuesday: "Avoidance of government policy direction in bank lending, or of influence by borrowers, is critical to the bealth of both the banking system and the borrowers."

## Tax-raising decree approved

The Brazilian Congress has approved a controversial taxraising decree which forms a central part of the government's recent R\$200n (US\$18hn) fiscal package designed to head off further financial market turbulence. Both the lower house and the senate comfortably approved the decree after the government made substantial changes to its original proposal in order to secure

The vote was the government's third important victory in Congress in the last fortnight, following approval in the lower house of a civil service reform bill.

As a result of the decree, Brazilians who earn more than R\$1,800 a month will pay 10 per cent more income tax, the tax on income from fixed income investments has increased from 15 per cent to 20 per cent and fiscal incentives to companies investing in the north and north-east of the country have been reduced by 25 per cent.

The tax-raising decree was the most controversial of the eight measures in the government's fiscal package which Geoff Dyer, São Paulo needed approval in Congress.

## ECUADOR ELECTION

## Vote narrower than expected

Ecuador's Social Christian Party (PSC) will not find it as easy as expected to dominate a national assembly elected on Sunday to reform the constitution, according to initial results from the polling stations.

With results in from eight of the 21 provinces and over 70 per cent of the vote counted in eight others by Tuesday night, the PSC was still set to form the largest bloc when the assembly begins on December 20. However, it was expected yesterday to have nearer 18 seats than the 21-25 seats predicted by pollsters on Sunday.

This will leave the expected alliance of the PSC, centrist Popular Democracy party and the government Liberal Party-Alfarist Radical Front short of a majority in the 70member assembly. They may seek a further agreement with the centre-left Democratic Left.

As polling results have become clearer since Sunday, PSC leaders have toned down their triumphalist approach and placed more emphasis on the need to find common ground with other assembly groups over the next couple Justine Newsome, Quito

## **NEWS:** WORLD TRADE

# EU gesture to US on 'mad cow' rules

By Nell Buckley in Brussels ling on a highly sensitive

The European Union is attempting to head off a Commission yesterday protrade clash with the US with posed a piecemeal solution, proposals to modify new rules designed to curb the tions from the rules for cer-spread of BSE or "mad cow" taln products. Under the disease - only hours before plan: the start of tomorrow's Pharmaceutical products EU-US summit in Washing-

The US has warned that the rules - which ban parts their manufacture. of cattle most at risk of car- Pharmaceuticals already rying "mad cow" disease, approved would be allowed mainly the head and spinal to continue to use SRMs cord, from use "for any purpose" within the EU - could block billions of dollars of US pharmaceuticals and cosmetics exports to Europe.

Most pharmaceuticals and cosmetics contain derivatives of tallow or gelatine, both produced by boiling animal carcases, usually including the banned cattle parts, called "specified risk materials" (SRMs).

The US insists that, since it is free of "mad cow" disease, its slaughterhouses should not have to bear the extra cost of extracting

World Trade Organisation complaint unless the EU modified the rules before they came into force on Jan-

Proposals to postpone might accept the new rules. implementation of the new rules were thrown out earlier this week by Brussels new sources of SRM-free officials, worried that this ingredients.

involving temporary exemp-

until January 1, 1999, to allow industry time to adapt. Existing products and those manufactured during the transition period could continue to be sold until explry

pharmaceuticals and cosmetics - would be approved for use even if they were manu-SRMs from carcases.

Washington bad threat ened retaliatory action or a by one of three approved

studying the EU proposals yesterday. But they had indicated that US industry provided it was allowed suf-ficient time to adapt and find would be seen as backtrack. Farmers face setback, Page 9

approved for marketing after the start of 1998 would not

be allowed to use SRMs in

of their shelf life.

Certain medicines which

use SRMs, and to which there is no satisfactory alternative, would have a longer transition period, until the end of 1999. Derivatives of tallow . used in a broad range of

US officials were still

Food labelling

The European Commission has put forward plans to label foodstuffs containing genetically modified maize or soya in an attempt to allay consumer concerns over the products, writes Neil Buckley from

But Greenpeace, the environmental group, immediately criticised the definition of products as too it said consumers would still have no certainty

whether foods they were buying contained genetically modified materials. The Commission was asked by EU food safety experts at the end of July to propose labelling for the two products. Genetically

modified maize, developed by Novartis, the life sciences group, to resist the corn-borer pest, and soybeans developed by US chemicals group Monsanto to resist weedkiller, are two of the most controversial biotechnology products, though they have heen

passed by EU scientists as The rules were designed to close a loophole caused by the fact that the two products were licensed for sale in the EU last year, before new rules on consumer food labelling, the Novel Foods directive, came into force in May.

Tough US trade negotiator says Asian financial crisis will open up trade, writes Nancy Dunne

harlene Barsheisky the contribution of the nications services, has a reputation as a case."

A slight, elegan relentless negotiator. Her nickname. Stonewall, lysts in the US - having was earned during countless face-offs over access to other

Yet it is not clear that this

is the intent of the depart-

ment's case, indeed, Joel

Klein, head of the depart-

ment's antitrust division.

has hinted that Windows 98,

a planned version of the

Microsoft operating system

that more tightly integrates

the functions of the internet

browser and desktop operat-

ing system, might not raise

If so, the department'a lat-

anti-trust problems.

countries' markets. One of those trade rows is about to come to a head when the World Trade going to change, particularly Organisation rules - perhaps as early as tomorrow - on a complaint, brought on behalf of Kodak, the US film company. Many say the case message was reinforced by amounts to a judgment on President Bill Clinton when

Japan's economic system. Yet, after five years of contending that Japan's distribution system is so impene-trable and its restrictions on competition so widespread as to constitute a trade barrier, Ms Barshefsky believes events heve overtaken the

Asia's financial crisis, she contends, will at last force reform in the country which has been a sparring partner on almost every trade issue from cars and semiconductors to glass and film prod-

The market is telling Japan it cannot delay kets. reform," the US Trade Representative said in an interview this week. "It has to take bold and decisive

Ms Barshefsky argues that the outcome of the Kodak ries. Last December she case before the WTO disputs helped sew up a global settlement panel does not agreement phasing out tar-much matter. "Whether we iffs on information technolwin, or partially win the ogy. In February she case, or don't prevail, I think directed US negotiations in the forces at play in Japan an agreement which swept promise, drew the line and are much stronger now than away barriers in telecommu- postponed the vote.

heard numerous Japanese pledges in the past - view this as wishful thinking. "It's bizarre if anyone thinks the Japanese market is when its economy is doing

worse," said one lawyer.

However, Ms Barshefsky contends that the markets' he met Ryutaro Hashimoto, Japanese prime minister, in Vancouver last week. "He said it was critical that deregulation move at an accelerated pace," said Ms Barshelsky. And the prime minister agreed to deliver a package of reforms by mid-December, looking especially at distribution."

Tokyo has also pledged it will review the controversial Large Scale Retail Store Law, which protects small businesses that are less likely to use foreign products. The law has long symbolised Japan's closed mar-

Since succeeding Mickey Kantor - a close friend of the Clintons - as trade representative. Ms Barshefsky important negotiating victo-

and a respected trade lawyer ment, Ms Barshefsky has mastered her trade brief whether peering over half-moon reading glasses or arguing that the US will be relegated to the sidelines if she is unable to negotiate

She has had a tough slog for most of this year, however. After she "consulted". for months with hundreds of congressmen, President Clinton was forced to shelve her version of legislation giving him new fast-track trade negotiating authority. Only 40 out of 106 House Democrats could be persuaded to

Ms Barshefsky says she will again consult with the congressional leadership and return early next year to renew the fast-track crusade. Most observers blame the failure of the fast-track effort on the White House and business groups, saying both did too little too late to mobilise public support behind trade expansion. "For Charl-

ble," says one trade lobbyist. Ms Barshelsky argues a small group of anti-abortion Republican congressmen held the fast-track issue as a "hostage" to their demand that the president reduce international family plan-ning aid. The president, who had already engaged in endless arm-twisting and com-



Barshefsky: 'Market is telling Japan it cannot delay reform. It has to take bold and decisive action'

Congress transfers some of its authority to the president by promising not to amend trade deals – has always been a "tough sell", she says. "We will have to assess our particular difficulties ingly. The shape of the bill, the precise timing has yet to be resolved." Next week Ms Barshefsky

will oversee the US negotiation on a long-delayed multilateral financial services pact. In 1995 the US walked away from the talks, refusing to commit Itself to keeping its markets open without better offers from Asia and poor offers will not discour-Latin America.

This time the administra-

Fast-track - under which Officials have visited 40 capitals, some more than twice, offering technical aid. They have also met regionally with groups of countries.

Ms Barshefsky is cautious about the outlook. "There are somewhere between 10 and 12 countles that have either not put offers on the table or have not improved their offers. We can't assess the prospects until the coun& growt

otect cos

andards

She does not mention that, according to a lobbyist close to the talks, some of the offers have been withheld at US request so countries with age others from improving their packages. But good tion has poured "sobstantial lawyers know what to leave

tries put their offers in writ-

# UK contractor halts Bangkok work after payments freeze

By Andrew Taylor in London and Ted Bardscke in Bangkok

United Utilities of the UK has halted work on a sewerage scheme for Bangkok because payments have stopped.

The project is the latest in a series of high-profile infrastructure developments in Thailand and other south-east Asian countries which have been

the country's financial problems. It for additional pipework has severely blamed a previous contractual dispute delayed the contract which was for the difficulties which it said must awarded for £150m in 1993 and had be resolved before payments could been due to be completed last year.

£90m (\$150m) provision to cover authorities for additional payments, mass transit system in the capital. potential losses on the contract, said its existing provision was suffi-Asian countries which have need balted or postponed because of the region's financial crisis.

The Bangkok Metropolitan Author
Said is existing provision was sumble to countries on the contract, said is existing provision was sumble to countries on the countries on the countries on the countries on the countries of the process on the countries on the countries on the potential rosses on the countries of the process on the countries on the countries of the process on the countries of the process on the potential rosses on the countries of the process on the process of the process on the process of the process on the potential rosses on the countries of the process of the process of the process on the process of the process on the process of the process on the process on the process on the process on the process of the

United Utilities, which has made a claims ontstanding against Thai

ity, however, denied that payments to ply 1m people in central Bangkok. coincided with a severe cash squeeze United had been withheld because of Access problems and a requirement on the Thai authorities following the country's currency crisis.

The Thai government in October cancelled a \$3.7bn contract with Hopewell Holdings, the Hong Kong-based infra-United, which has several large structure developer, which was building a much needed privately financed

Other south-east Asian countries

United Utilities formed last year by the merger of North West Water and North West Electricity, has ceased hidding for construction contracts for water schemes following its problems

power plants while Malaysia has moth-ply system for the Pathum Thani area balled several large infrastructure pro- on the northern edge of Bangkok jects, including the controversial should be ready for commissioning early next year.

Thames will sell water to a government agency, the Provincial Water-works Authority (PWA), which will be responsible for collecting payment from consumers. "We should be all right because the price we sell water to

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# MPs call on opera chiefs to quit

in London

Chris Smith, tha chief media and sport committee, minister for culture, pnt himself on a collision course with the management of London's Royal Opera House yesterday as he backed a tough House of Commons report which called for mass resignations.

Gerald Kaufman, a former Labour minister, said that "the current board should dissolve itself and the chief executive should resign with immediate effect". Alternatively, the Royal Opera should go private, relinquishing its annual £15m from the Arts Council, selves on her behalf.

(\$25m) Arts Council grant. where she was secretary-He spoke with tha unanimous support of the culture, which he chairs.

The report catalogued a series of errors, ranging from inadequate financial controls which almost led to insolvency in the summer; poor planning for the current 21/2 year closure period while Covent Garden, the opera's home, undergoes a £214m refurbishment; and sharp practice during the appointment of Mary Allen as chief executive in May. The position of Ms Allen -

who joined the Royal Opera

general - is uncertain. "I entirely reject the criticisms of the committee's report of my conduct at the time of my appointment in May," she said yesterday.

The committee had no complaint of her managerial competence hat maintained "her conduct fell below the standards to be expected of the principal officer of a pubhe body". Ms Allen has only been running the Royal Opera for three months and has helped introduce stronger financial controls. She is keen to stay and her trustees might well sacrifice them-

direct power but it puts con- ised in the report for leaving siderable pressure on Mr the position of finance direc-Smith. He responded diplotor vacant for a year. It is matically yesterday. "I share believed that Lord Chadlingthe committee's view that ton would be willing to substantial changes are now resign if it is considered in required, but I hope that you be in the best interests of the

will agree that it is impera-tive that the nature and timing of any such changes in some board resignations the direction and manage- while appointing new memment of the Royal Opera House should be such as to achieve the objectives of sustaining the house and com- to keep on board Mrs Vivien panies." Discussions will take place

in the next few days between Mr Smith and Lord Chadlington, chairman of the for the rebuilding.

SCOTLAND .

The committee has no Royal Opera, who is critic-

Royal Opera. Mr Smith may accept bers. There are only nine trustees: there could be 16. He will be anxious, however. Duffield, who heads the Royal Opera House Trust, and who has already raised £75m of the £100m needed

Ferries from

Britain

NONTH

# Bone ban awakens Brussels memories

But the latest beef move is on a different scale to the events of March 1996

By Michael Smith in Brussels

There was a powerful sense of déja vu in Brussels yesterday as the European Commission and the UK's 14 European Union partners digested the latest British developments on "mad cow

"It's just like last time." said one EU official, referring to March 1996, when the UK announced a probable link between BSE - or mad cow disease - and its human equivalent, Creutzfeldt-

"First news leaks out and then the government makes a big set-piece to parliament. It is followed by wall-to-wall negative news coverage and consumer confidence takes a huge dive," the official

In reality, the effects of yesterday's announcement are on a different scale to those of 21 months ago.

By Juliette Jowit in Cardiff

yesterday.

shuts

Israel

An obligation

A to be the said

Beef prices, which have fallen by

half, are only part of the reason for.

the anger of farmers in Wales,

Peredur Hughes, who keeps live-

stock in the north of the region, said

This week has seen blockades at

two Welsh ports of trucks arriving

with heef from the Republic of

Ireland. A consignment of frozen

burgers was flung into the sea at

Beef and veal Consumption in UK (on tonnes) OB :

potential trade dispute carrying BSE. between the US and the EU over a Brussels ban on the use of specified cattle derivatives: and for the sale by other countries of their beef. The Commission will ask its veterinary experts to carry out an immediate investigation of the UK com-

mittee's findings, The initial view among been detected in officials was that the UK's of EU countries. concerns about bone marrow were at odds with previous findings of EU veterinary But there could be fall-out experts, who consider mar-

the industry doing well," Mr Hughes

said. For example, I was losing on

my beef but gaining something on

my lambs - not so much, but it kept

our spirits np. This year the price of

of beef down about 50 per cent and

the price of crops down 40 per cent."

the aftermath of the BSE crisis are

also pinching margins. Morgan

Thomas calculates he has already

made losses of £70 (\$117) to £80 a

Costs imposed by restrictions in

ban on its beef lifted; for a cattle parts most at risk of However, if EU scientists

were persuaded of the UK arguments, there would be pressure for a bone-in-meat ban to be spread throughout Although the UK has hy

far the highest incidence of BSE among European countries, the disease has now been detected in a majority This week Luxembourg

became the latest country to be affected, albeit with only one case detected. It joined a for UK hopes of getting the row to be low on the list of list consisting of Ireland.

Struggling farmers face fresh setback

lamb is down 30 per cent, the price bring it all back into people's minds

really worrying."

France, Portugal, Belgium, the Netherlands and Germany.

 The latest figures show that 22 people had died from nvCJD in the UK by the end of October. Government policy over

Spongiform Encephalopathy Advisory Committee, a group of 12 medical, veterinary and other scientific of infectivity in nervous tis-experts chaired by John Pat-sues called "dorsal root gantison, dean of the medical school at University College London.

Seac's latest advice, which led to the bone ban, results

deeper gloom over the already

despondent markets, be said. "I

don't know whether this is going to

and frighten them again. It's really,

Devid Williams, who farms on the

border with England and chairs the National Farmers Union of England

and Wales national livestock com-

mittee, warns that many farmers are

announcement of a ban on beef on They are going to cause great diffi-

the bone threstens to throw an even culty and we are going to see farm-

from new experiments by government scientists. Previonsly, infectivity has been found only in the brain, eve. spinal cord and small intes-

The scientists fed large doses of BSE by mouth to BSE and CJD is led by its experimental animals selected for their susceptibility to infection.

They found clear evidence glia", which lie within the bones of the spinal column and would be left with the

ers go bankrupt if the situation

Mr Hughes says a new generation

of farmers is in danger of abandon-ing their family businesses, includ-

ing his sons, Llyr, 24, and Dewi, 22.

"They are seriously considering

whether they should come into agri-

In Holyhead unemployment is run-

ning at 12 per cent to 13 per cent,

culture. Is there a future there?"

doesn't improve fairly quickly."

## UK NEWS DIGEST

# Chinook probe calls rejected

The House of Commons defence committee yesterday rejected appeals to hold an inquiry into the 1994 Chinook helicopter disaster in which 25 senior intelligence experts perished on the Mull of Kintyre in Scotland. The decision was described as "profoundly disappointing" hy Menzies Campbell, defence spokesman for the opposition Liberal Democrats and a senior committee member, who has said the RAF's verdict - that the two deceased pilots were guilty of gross negligence - was "unsustainable".

"From the information available to me, I am by no means satisfied the necessary standard of proof to justify this verdict in terms of the RAF's own regulations has been met," said Mr Campbell. "Unfortunately, I was unable in convince the committee in take this view". Mr Campbell predicted the MPs across the Commons would continue to press for a review of the RAF's verdict. There is a considerable amount of public anxiety about this incident and the committee is ideally placed to inves tigate." he said.

Denise Gregory-Smith, the mother of a military passenger on the Chinook, said the committee's decision amounted to a "cover-up". She said: "The pilots should not be blamed. No one knows what happened as there was a fire and all the evidence was burned." Bruce George, the committee's chairman, said the issue was "too technical for the committee to handle", and there was not nough time for an inquiry. Liam Holligan

## **■ LOW-COST AIRLINES**

## EasyJet in talks with Rotterdam

EasyJet, the UK-based low-cost airline, said yesterday It was talking to Rotterdam airport about becoming the carrier's new base in the Netherlands. The discussions follow EasyJet's difficulties competing against KLM of the Netherlands at Amsterdam's Schiphol airport. EasyJet, which is based at London's Luton airport, last month told the European Commission that it was withdrawing a com plaint against KLM after the Dutch carrier stopped its alleged anti-competitive behaviour, EasyJet began flying from Luton, to the north of London, to Schiphol last year despite warnings that the London Amsterdam market was highly competitive. Stellos Haji-loannon, EasyJet's chairman, said vesterday that it might be easier to operate at Rotterdam than at Schiphol, where it was difficult to acquire take-off and landing slots. He said that while EasyJet might continue to fly between Luton and Schiphol. Rotterdam looked more attractive as a base for the airline's expansion plans in the Netherlands. Mr Haji-Ioannou is considering flying from the Netherlands to Nice and Barcelona.

Roland Wondolleck, Rotterdam airport's director, said be was keen to attract a low-cost operator. He said the airport, which is owned by Schipbol, had been talking to Michael Skapinker EasyJet for two years.

## ■ DOMESTIC ROUTES

## B Midland aims at Manchester

British Midland is expected to announce next week that it intends to begin flying from London's Heathrow airport to the northern city of Manchester, triggering a price war with British Airways on the route. The move would also increase co-operation between British Midland and Lufthansa of Germany, which flies from Manchester to several German cities. British Midland is expected to undercut BA's fares on the London-Manchester route. British Midland refused to comment but said it would make a statement on Monday. Michael Skapinker

## ■ INVESTMENT IN WALES

## Battery maker to enlarge plant

Yuasa Corporation of Japan is to enlarge its battery making operation in south Wales. Yuasa's expansion is the fourth at the site since it opened 15 years ago and takes the total workforce to more than 800. The company is the second higgest private sector employer in the area. The news is the second Japanese investment announcement for Wales in two weeks, following the unveiling by Panasonic of a £15m (\$25m) research and development site in Cardiff. David Rowe-Beddoe, chairman of the Welsh Development Agency, said the news highlighted the importance of expansion projects, which have accounted for E4bn of the E11bn overseas investment in the region Juliette Jowit, Cardiff

## **■ SOCCER**

## Honorary knighthood for Pele



Pele, the Brazilian soccer star who was recently voted the greatest player of all time and is now his country's sports minister. vesterday received an hon orary knighthood in London from Queen Elizabeth He emerged from Buckingham Palace wearing the cross and star of an honor ary Knight Commander of the British Empire and said: "This makes me feel very, very happy; I thank the British people for their trust in me and for believing in my work. I will con-

tinue to work hard for sport in society." Pele is in Britain with his country's president, Fernando Henriqua Cardoso, who is on a state visit. "The British people, as always, have shown the importance of sport and of Pele – he is ranked number one," said the president.

## INSURANCE

## Trade associations plan merger

Two London insurance market trade associations said yesterday they planned to merge. Lirma, which represents more than 100 non-marina insurers and reinsurers. and the Institute of London Underwriters, which comprises marine and aviation insurance companies, said a merger would enable them to represent better the interests of their members and enable them in cut running costs. Members will meet to approve the merger plans Christopher Adams later this month.

## head on suckler calves bought only Holybead on Monday. on the verge of bankruptcy. "I have and the cattle market at nearby "During the BSE [mad cow disrecently. seen accounts up and down the Llangeini is closing because of a lack govarnment country, they are really horrendous. of business. Yesterday's easel crisis there were other areas of Gas growth curbed to protect coal industry

By Simon Holberton and David Wighton

The government yesterday appounced a moratorium on permits for new gas fired power stations in a move designed to improve the medium-term outlook for the UK coal industry. The decision cama amid

demands from MPs and the industry for something to be done to avert the potential loss of 5,000 jobs in the deep mine coal industry. A House of Commons trade committee inquiry beard that the coal industry faced a "cliff edge" next spring when long term contracts that sustain

R.IB Mining, Britain's biggest coal mining company, faces a 10m tonne shortfall in orders next year and may he forced to close five to eight pits. Representatives of department said. colliery owners and their sures. They included the cut-reading an article in the

ting of an Anglo-French elec- Financial Times last week tricity link that supplies 5 which reported the concerns per cent of power needs in England and Wales and the cassation of new gas sta-

But John Battle, energy minister, rejected sugges-tions that the government should subsidise the industry. "It is difficult to understand how the government could send a cheque to this company," he told MPs. "It's a private company, so why should the government give it cash?"

Later the trade and industry department dismissed suggestions from Richard Budge, RJB's chief executive, that the government could help his company over its difficulties by purchasing 20m tonnes of coal over the next two years. "That's not the husiness we're in." the

Mr Battle said his worries unions lobbied MPs to about gas fired power staapprove a range of mea- tions had been prompted by

of National Grid, the electricity distributor, that gas stations posed a threat to the security of supply in Britain.

Mr Battle said ha had "serious new concerns on security and diversity of energy supplies". He said be had requested National Grid and the Energy Advisory Panel to investigate. Officials from the trade and industry department

said the government bad been advised it could use this new information to justify its action in the event of a legal challenge. But the department's own evidance to the committee indicates that the cessation of gas permits would do

little to halt coal's decline. The department forecasts a market of only 24m tonnes for power station coal by 2000 - down from 53m tonnes last year.

## Ford staff urged to accept 8.75%

By Robert Taylor, **Employment Editor** 

Trade union negotiators at Ford's UK offshoot agreed yesterday to recommand acceptance of an 8.75 per cent pay increase spread over the next two years to their 19,500 members. Any bargaining in the rest of manufacturing industry.

Soundings by union officials in factories over the past two weeks found little desire for industrial conflict. although many union officials regret Ford's refusal to reduce the length of the basic working week which, at 39 hours, the longest in

the UK auto industry. The Ford deal will be put to workers for approval and the result will be known on Friday next week. It provides for a 4.5 per cent increase in the basic wage rate this year with a further See Lex to the increase in the retail

or 4.25 per cent - whichever is the greater. The present inflation rate is 3.7 per cent.

The Ford offer is in line with the high level of wage deals in the auto industry which are almost all running at above 4 per cent on basic rates. Most companies agreement is likely to affect in the sector are carrying out the second stage of two or three year deals. Ford's Jaguar offshoot

price index plus 0.5 per cent

recently agreed a 4.1 per cent improvement in basic pay in the second part of a two year deal. The latest settlement at

BMW's Rover subsidiary was for a 4.5 per cent increase in the first stage of a three year agreement which lasts until 1999. The only anto company

settling below 4 per cent is the Vauxhall unit of General Motors which increased basic rates from September by 3.3 per cent as part of a rise in November 1996 equal two year agreement that

## on tobacco adverts expected today By Michael Smith European Union nations are expected today to reach

EU accord

agreement on hanoing tobacco advertising in a deal which is likely to allow sponsorship of Formula One motor racing and other "world level activitles" to continue for at least seven

Although Germany, Greece, Austria and Denmark were last night lining np either to oppose the ban or withhold support for it. other natious - including the UK - were increasingly confident that the proposals could be adopted after eight

years of wrangling. The odds of the directive going through are pretty good," said one diplomat. The European Commission the EU's executive, which is normally cautious on making predictions ahead of member state meetings said that there was a reasonable chance of achieving a

"qualified majority". But with three substantive issues to be resolve by a meeting of the 15 health ministers today, there was still a possibility of an upset. Mr Padraig Flynn, EU health commissioner, has warned that he may withdraw the directive proposing the ban if a deal is not reached today.

There is likely to be beated debate about the time which Britain and other countries can exempt sports from the sponsorship ban. Mr Flynn has indicated be would accept a sevenyear gap between the directive's full implementation and exemption being withdrawn. This could be opposed by countries including Finland, France, Portu-gal and Italy, which already bave bans.

There will also be controversy about restrictions on companies using logos assoclated with tobacco products on other products. Some states want companies who market a range of products including tobacco he allowed more freedom in use

their logos. Under the proposed directive, member states will be able to continue existing sponsorship of "world level" events for a period in be defined. But the sponsorship money will have to decrease, as will the vistbillty of advertising at the events. Countries will decide themselves what constitutes a

world event. The Commission says the ban is justified because it is part of its plan to complete plans for a single market, and EU treaties make provision for health protection.

Final adoption of the directive is unlikely before the middle of next year and could take much longer.

## **LEGAL NOTICE**

IN THE HIGH COURT OF JUSTICE

IN THE MATTER OF HIR (UK) LIMITED N THE MATTER OF THE

NOTICE IS HEREBY GIVEN that he ar Order dated 9 October 1997 the Court has directed a meeting of the insureds and Non-lastrance Creditors tos defined in the proposed Scheme of Arrangement referre to below! of HIR (UK) Limited 1"th Company\*1 to be convened for the purpose of convidering and if thought fit approving twith or without modification! a solvent Scheme of Arrangement proposed to made between the Company and its Inqui made between the company and to manage and Non-Insurance Creditors a hereby all habilities will be paid to full and that such meeting will be held at 186 CHy Road, London ECIV 2NU an 23 January 1984 at 11,000 a.m. at which place and time all the sand insurance Creditors

Any person entitled to attend the said meeting can obtain copies of the said Scheme of Arrangement, Voting Forms furnished pursuant to Section 426 of the companies Act 1985 at the registered office office of Davies Aroold Cooper situate at 6 eene Street, London EC4Y 8DD and at the office of Robern Rhodes situate at 186 City Read, London EC1V 2NU between the bours of 10 a.m. and 4 p.m. on normal

are requested to attend.

The said Insureds and Non-Insurance Creditors may vote in person at the said meeting or they may appoint another person in their proxy to attend and vote in their

It is requested that Voting Forms be ledged with Robson Rhodes of 186 City Road, London EC1V 2NU Rsf II by close of Business on 19 Issuary 1998 but if they are not so lodged, they may be handed in at the cy are to be used.

By the said Order the Court has appointed lan Manhall a director of the company of 8-10 St Saviour's Wharf, Mill Street, London SEI 2BE to act as Charman of the marring and has derected the Charman to report th results thereof to the Court.

The said Scheme of Arrangement will b

## Standards board alters rules on accounting for goodwill the price of a company and the flows are not affected. "Goodwill mirror a draft published last year amortisation if they can show the The UK standards board's deci-

Accountancy Correspondent

The managements of companies that pay too much to acquire will to reserves. They can capitalother businesses will be more accountable to shareholdars but they have to amortise it over thanks to new mandatory rules published today by the UK's future reported earnings.

financial reporting watchdog. Sir David Tweedie, bead of the Accounting Standards Board, bas decided to end two decades of rest of tha world. Theoretically debate over how to account for this should make no difference to

sum of its assets.

Around 95 per cent of UK companies currently write off goodise goodwill on the balance sheet a set period - which depresses

In future they will have to caplbringing the UK in line with the goodwill - the difference between the share price, as future cash-

will be shown alongside a company's assets to reflect the fact that it is part of the cost of buying a but reaping the benefits of added business - a cost for which man- earnings. agement remains accountable,"

said Sir David. Coopers & Lybrand, said: "There has been a tendency towards overtalise and amortise goodwill payment over the years. This will acounsitions

Roger Davis, head of auditing at some perfectly sound acquisitions make people think a little harder result - and managements will about the prices they pay in have to find ways of justifying

acquisitions may not happen as a The board's proposals - which

would be earnings dilutive - at least in the early years. "Some

returns by writing off goodwill

Steve Cooper, accounting ana-

- will stop companies boosting goodwill has not wasted away. sion to go ahead with the new They would do this by using an goodwill rules was not unani-"impairment test" designed to mous. Ray Hinton, a partner at lyst at UBS, said that as a result or other element of goodwill. The novelty of the impairment

test has been taken up by international standard settars. Today Dennis Beresford, former chairboard, will call on the US to fol- mous scepticism." be said. purchases in other ways," he said. low the proposals and take a step Companies can escape enforced towards global harmonisation.

predict future cashflows from a Arthur Andersen and one of the brand, publishing title, franchise 10 board members, said he could not agree with the standard. "You are adding to the balance

sheets of corporate Britain biltions of poonds that users and a sophisticated business community man of the US standard setting have always regarded with enor-

viding a running account of the

used in all elements of the tour-

nament planning, as well as run-

ning all the standard business

systems like finance and account-

ing associated with an undertak-

For the visiting press, a first

will be the availability of indexed

video through the World Cup

ing the finals.

ing of this size.

# On side for soccer IT

that the best referee is the Gerard Gouillou and his coltion services group, bave been bearing that in mind while building the information technology backbone for what they hope proves to be a fault-free World Cup tournament next year.

We want to help France share the beauty of the game with the world," says Mr Gouillou.

As this evening's draw in Marseilles emphasises, the logistical challenge of organising the world's biggest sporting event is a considerable one. Regardless of how carefully planned and tested the infrastructure is, things can still go wrong, as at last year's Olympic Games, when IBM had to overcome initial difficulties

with its online results network. From the moment the first game kicks off on June 10 1998, the World Cup finals will last 33 days, with 37bn people worldwide expected to watch on television. The 1994 tournament in the US attracted 31.7bn viewers, while the Atlanta Olympics drew an audience of about 20bn.

On the ground, 2.5m spectators

Trance's Bio Avenir, an unusual

vate and public sectors, has drawn

research partnership between pri-

to a formal close with a large scientific

Participants from both sides say the

FFr1.6bn (£160m) spent on Bio Avenir over

five years has produced excellent returns.

The measurable output includes 172

Equally important are the links forged

patents and 528 scientific publications

ries that had previously been deeply suspi-

cious of each other. More than 500 scien-

tists took part and 200 PhD students were

national collaborative programme is that

France's universities and the whole pano-

ply of state-funded research bodies (Centre

National de la Research Scientifique, Insti-

conference in Paris.

right across the life sciences

trained through Bio Avenir.

n football, it is often said will attend the 64 matches featuring 32 teams at 10 venues, along with 10,000 accredited journalists leagues at EDS, the US informa- marshalled by 12,000 volunteers and 550 permanent employees. In all. 50,000 accreditations will have to be organised, as Mr Gouillou says, "to allow people to go only where they are entitled

> The job of bringing together all the elements in the strategy falls to Phillipe Verveer, the organising committee's IT director. "The greatest challenge is to be ready on time," he says. "Everyone knows when the opening game will be, and there's no possibility of any move. Also, everything has to work perfectly from the first day."

> Installing and implementing the hardware - ahout 12,000 workstations and 100 sarvers across 100 local area networks will have to be done within a few weeks from May, when the stadiums are finally ready.

> When the tournament organising committee was set up in December 1993, Mr Verveer was the first departmental head appointed, indicating the impor-



sion right. In turn, Mr Verveer tion, not just during the games emphasises the need to choose themselves, but in the long preparation stage as countries qualify the right partners. EDS and the other IT partners - Hewlett-Packto go to France. ard, Sybase and France Telecom The official wab site - all hava experience of big www.france98.com has been pro-

The World Cup IT mission aims to provide information efficiently

If I am causing trouble, I can be easily identified and banned from any other games'

#Staff Work Cu

events, and they had the opportunity for testing during a dry run last summer - the Le Tournoi contest between England, France, Brazil and Italy.

Mr Verveer describes the IT mission as dedicated to the effirequest clips indexed by player, team or incident - such as goals. penalties or red cards.

Ticket reservation sales began in France in May 1996, partly using the national Minitel system. Until this evening's draw, though, it was not known which teams would be playing in each game at each venue, so Mr Verveer says he has been selling virtual tickets for virtual games". "In January and February next year we will start to convert reservations into actual tickets." Football authorities in each qualifying country will also be able to start selling their tickets through official tour opera-

A 3D view of the pitch from each numbered seat can be called up from the stadium database; from a security point of view, the organisers should be able to know who is occupying each seat or group of seats. "If I am causing trouble, I can be easily identified and banned from any other games," says Mr Gouillou.

tournament at each stage, while World Cup Online, the main content engine, will drive all the He points out that the whole public and press information durapproach is a "24/7" - 24 hours a lay, seven days a week - opera-Sybase development tools using its adaptive component clition, with extensive back-up and disaster recovery plans. ent/server architecture will be

Mr Verveer, meanwhile, admits he works for an organisation that has "no past and no future. We will cease to exist when the books are closed after the final

game." he says. When that happens, he is confident it will not just be the 11 players parading the trophy who

# Bio Avenir's triumph of fraternité

Avenir, while the French government contributed FFr610m. The results were far beyond our expectations," Jean-Rene Fourtou, chief executive of Rhone-Poulenc told the conference. "Although the formal programme is coming to an end, we should all strive to allocate resources to continue the work of

rated with one company: Rhône-Poulenc.

between industrial and academic laborato-Bio Avenir. It is important for the government to continue to serve as a catalyst, even if it cannot contribute at the same level as before." But Claude Allègre, France's research minister, replied uncompromisingly: "We What makes Bio Avenir unusual for a

> companies. They should do that themstimulate small, entrepreneurial biotech-

> do not intend to finance research by big

que, Institut National de la Santé et de la nology companies of the sort that are very the US. Other projects, which have not yet Recherche Medicale and others) collabocommon in the US but rare in France. "To us, the biotechnology sector is an absotute Rhone-Poulenc provided FFr1bn for Bio priority. We want to support it," Mr Allegre said.

> Rhone-Poulenc too plans to do more to stimulate blotech entrepreneurs, said Philippe Desmarescaux, group president, "We shall give space to start-up companies. We shall host them for their incubation period, sharing their risks and making our equipment and lahoratories available. Then they will have to go their own way."

Meanwhile, Rhone-Poulenc is busily cial seeds" from embryonic plants. exploiting the rich results of Bio Avenir to develop its own products and processes. For example:

in human health, the programme provided the company with the technology it And biocatalysis - using enzymes to speed needed to set up RPR Gencell, a collaboration in gene therapy with 19 external labo-possibilities for clean recycling of plastics. Instead, the government's priority is to ratories. Their work on the p53 cancer gene is beginning phase II clinical trials in

reached the clinic, include gene therapy for cardiovascular disease (to prevent arteries clogging up) and for diseases of the central nervous system such as Parkinson's (to prevent degeneration of brain cells).

 In food and agriculture, there have been results in two directions: new plant protection chemicals (fungicides and herbicides) and genetically engineered crops that protect themselves against pests and disease. Bio Avenir has also made "artifi-In chemistry, the programme has used

"combinatorial chemistry" to create a great diversity of new molecules for use throughout Rhône-Poulenc's research. up chemical reactions - is opening up

Clive Cookson

## Worth Watching · Vanessa Houlder



Personality key to heart disease

Evidence has emerged supporting the controversial theory that "type A" personalities - competitive impatient and hostile - have an increased risk of heartattacks. A study published this week

in the American Heart Association's journal Circulation provides the first big evidence of a link between levels of mental stress and the blood vessel blockages that trigger heart attacks and

The research on 901 Finnish men showed that the men whose blood pressure rose most when they performed difficult cognitive and memory tests also had the thickest blockages in the arteries that feed blood to the brain. The association was strongest among men

under 55 years old. More research is needed to prove that mental stress causes blood vessel blockages and, if so, to uncover the mechanism Frequent bouts of high blood pressure during mental stress could damage the vessels' walls or release hormones that help huild up blockages.

American Heart Association. tel 2147061173: e-mail wimesieriākamhrt.org

## Quick decay for plastic bags

The search for the perfect biodegradable plastic bag has met several obstacles. Environmental groups favour recycling and re-use of bags rather than the use of degradable plastics, which tend not to decay quickly in the dry, light-starved recesses of landfills. Although some degradable plastics perform well, they are too expensive for many applications. The maker of a new

biodegradable plastic bag sa) s it has overcome these problems. Symphony Environmental has developed a degradable refuse sack which takes two to five years to disappear: less if subjected to heat. When it degrades, it produces heat and carbon dioxide or carbon monoxide. The bags cost the same as non-degradable bags. Symphony Environmental: UK. tel (0)181 2075900; fax (0)151

## Cheaper complex molecules

Complex molecules that play important roles in medicine and industry are often expensive to make - costing up to £1,000 per gramme. A chemist at the University of Warwick has developed a technique for making complex structures thet reduces costs to about £30 per kilogram.

Traditionally, complex molecules are put together using chemical building blocks which are synthesised from expensive starting materials. The Warwick chemists have found a way of using metal ions to assemble small organic building blocks into larger molecules. The techniques can be used to design advanced polymers, which could be used for everything from contact lenses to drug capsules.

University of Warwick: UK. tel (0)1203 524107; c-mail m.j.hannon@worteick.ac.uk

## Ultra violet rays made harmless

Ultra violet light can cause skin cancer if people are exposed to it for long periods. German researchers have developed a polymer coating that absorbs ultra violet rays and turn them into visible light.

The scientists at the Framhofer Institute for Applied Polymer Research found that the polymer coatings, which are transparent in visible light, can be applied to glass. If they are used to coat halogen bulbs, they remove the ultra-violet rays and intensify the colour and brightness. They could also be used to coat

E ####

1.14% - Zapt z M. Albert

- 100 Am

Fraunhofer Institute for Applied Polymer Research: Germany, tel 332846332; fax



# Any doubts about selection?

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- Registered Office: Bucuresti, Str. Berceni, nr. 104, soctor 4

  Fiscal Code: 2603490
- ☐ Registration no. at Commercial Register Office: 140/26490/1992.
- ☐ Issued stock capital, according to the latest records at the Commercial Register Office: 52,418,600 thousand. ROL.
  ☐ Turnover in 1996: 39,879,431 thousand. ROL.
  ☐ Net profit in 1996: 5,291,123 thousand ROL.
- Main scope of activity: a) design, manufacture and marketing of the following: steam tentines, electric generators, electric motors, electric equipment, pumps for power generation purposes; tentine-drive compressors, tentine-drive air-blow, other industrial products, space parts for the before mentioned in the industry of machine manufacturing; b) on side repairs at the Clicat, after the equipment delivery.

Total number of shares at a nominal value of 25,000 ROL each: 2,096,744.

State Ownership Fund Financial Investment Company Ma Share owners through mass priv

43.996 4.67 5t.33. 0.004 Shares assigned to the ma

The offer for the 43.966% issued share capital, i.e. 922,415 shares is 90,008,334 thousand ROL for Romanian investors, or 12,046,740 USD for foreign investors. The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOFRDA BUSINESS CENTRE. OFFERS DIVISION of the International Relations Department, Bucuresti, Str. STAVROPOLEOS, nr.6. phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs, at a price of 1,400 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-00000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

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Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, published in "Monitoral Oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address, in a sealed envelope, prior to 22 Dec. 1997, 16.80 hrs. (from deadline for submission).

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# Multi-story drama falls on deaf ears

COP LAND James Mangold

PARADISE ROAD **Bruce Beresford** 

THE BORROWERS Pete Hewitt

MARIUS AND **JEANNETTE** Robert Guédiguian

THIS WORLD, THEN THE FIREWORKS Michael Oblowitz

> IT'S A WONDERFUL Frank Capra

alling stars will do anything to get back into the galaxy: they may even shed the things that made them stars in the first place. Ever since John Trsvolta came back by ennester in Pulo Fiction - shrugging off his oblivion years by ahrugging off the even earlier years of scream-inducing sex appeal - the Unlikely Character Role has been deemed a key to Hollywood resurrection.

In Cop Land Sylvester Stallone, formerly the twin scourge of South-East Asia (Rambo) and boxers with attitude (Rocky), plays a paunchy New Jersey aheriff with a bearing problem. in boyhood he went partially deaf after rescuing a drowning girl from a river, he still pines for her (Annabella Sciorra) now that ahe is the grown-up wife of a cop in a town seething with them. For Garrison, N.J., ruled by Sly, is where the off-duty NYPD "make

their bomes" across the river. The actor's own hearing problem, bowever, may be that be listened to people pitching this script. "An offbeat role will revive your career, Sly" they no doubt shouted. And "Look at the

you!" Harvey Keitel as the sleazy officer hiding a runaway police-man nephew thought to have committed suicide after killing two innoceot blacks in a car chase. Ray Liotta as Stallone's best friend, e burnt-out cop with a cocaine habit. And Robert De Niro as, er, Robert De Niro: the Method master guesting, or ghosting, through with cocked head and Little Italy cadence as the snoop from internal Affairs.

who made s small character study go a long way in Heavy. picks the opposite route here. He wrestles Lsocoon-style with an infestation of characters and subplots. There are love, crime, corruption; fires, chases, drownings. And there is the inner complexity of Stallone's sheriff: a sort of conflicted Woyzeckian lumpen-hero. Well, we and Mangold would Hice him to be that. With this actor, though, spiritual crisis is expressed mainly hy looking more doleful than usual, under his omhrella eyelaehes, while crosking out the dese-dem-dose dialogue.

Writer-director James Mangold.

The film wilts into sub-High Noon fatuity after a good start. Mangold sets up his multi-story drama eo skilfully - cross-cutting New York and New Jersey to point the contrast between Hell'e kitchen and Heaven's retirement lounge (with beer and drugs) that we quickly identify the principals and their problems. Then we move too fast into the playoffs and payoffs, which mans to be at once too Byzantine and too predictable. We soon twig that this will be the familiar tale of trickle-down corruption in city governance.

Bizarrely, while Keitel and Co. act their hats off in a diminishing cause, we end up warming more to Stallone's dozy, slowcoach, not-quite-with-it style. It is as if be belatedly determined - or his unconscious determined for him - that he would not pant hard to catch this particular bus. Or perhaps, trading conceits, the tortoise opted to watch the Stanislavskian hares run ragged while knowing intuitively that the cam-



conic immobility: Sylvester Stallone as the sheriff in James Mangold's 'Cop Land'

secret all along?

Paradise Road is Tenko meets A Town Like Alice. Writer-director Bruce Beresford tells us that women PoWs had a bad time too in the war, especially if untimely ripped from Raffles Hotel in the middle of a Gertrude Lawrence lookalike's rendition of "Mad about the boy." Bombed from Singapore, their escape boat then sinks off Sumatra, causing them to accept the Japanese offer of bed and board.

"Hello, I'm Rosemary Leightonclub," says one deb to another. And soon the camp fills up with e Britisb-accanted Glenn Close, Pauline Collins and others, plus Frances "I haf a Cherman pusport" McDormand as a Hitlerfleeing Jewish dentist. McDormand won the 1997 Best Actress Oscar for Forgo: can these statuettes be recalled for ensuing per-

Unlike Cop Land, though, this film gets better not worse.

avid Planell's Bozoor

arrives at the Royal

era would stay on him. For Shaken by an early scene of gruewasn't iconic immobility Sly's some immolation, the audience is some immolation, the audience is then stirred by the emotional commitment Close and company bring to poteotially maudlin (though truth-based) plot devel-opments: like the all-voice camp orchestra which even the Jeps lay down their sabres to listen to. Earnest, sombre, impassioned, the film ends up a small triumph of mind and feeling over what might have heen unforgiving

In The Borrowers, tiny people living under the floorboards ane Ascaride), be a cement attack John Goodman. When the evil property tycoon evicts a fam-Jones, we met at the tennis ily from their bome, a parallel family of homunculi battle on their behalf. Drawn from the children'e novels by Mary Norton, the finger-sized folk climb fridges, swing on ropes of dental floss, take elevator rides on power tape-measures, and generally behave like refugees from The Incredible Shrinking Man.

Director Peter Hewitt, schooled in mad cinema for children from his debut feature Bill And Ted's

comic timing. Goodman's villain is squaezed for slow-burn humour and wonderful double or triple takes. (Slow comedy is almost a lost art in the age of MTV and litterbug ettention spans). And the special effects team perform Gulliverish miracles of scale trickery. A Christmas treat for the tots.

In the French film Marius And Jeannette, all the world is e lovable commune. The two lifescarred Marseilles-dwellers of the title - she a single mother (Ariquarry nightwatchman (Gérard Meylan) - find e late love. Urged on by wine-bibbing, politics-chatting friends, and by children unpolluted by jealousy, they turn the back streets into a lovenest worthy of Pagnol.

Or it would be if Pagnol bad written it. Film-maker Robert Guédiguian is e sentimeotalist who preteods not to be. The film'e folksy, ersatz naturalism is pamphleteering with invisible ink. The plot lulls us with cute-Bogus Journey, boasts unhurried actually deafening, writing says: - by wit, joy and character.

poverty, togetherness and workshy socialism can save the world. Luddite chic, masquerading as a love story.

The week's last two films are a one-sided battle, Michael Ohlowitz's This World, Then The Fireworks is monster of badness: a late beich from the drunken haze of the film noir revival. Adapting a Jim Thompson story, Oblowitz gives ns hardboiled hero Billy Zane triangulating between incestuous sister (Gina Gershon) and whorish blonde (Sheryl Lee). But characters, as such, are obliterated by empty visual brainstorming. Filters, shadows, tilted angles: style screams lood and long for content.

Frank Capra's It's A Wonderful Life, is 50 years old but still has all its moving parts. Indeed it moves parts of the spectator that newer films cannot reach. My handkerchief was in use from tha moment James Stewart stammered out his first aria of Yuletide despair. After that it is Clarence the angel, life reborn, and ness while the barely visible, but schmaltz somehow transfigured

through, and it never quite recov-

Otherwise, bowever, this is a

on the challenge of Anton's

highly inventive range of exple-

would benefit from less head-

pathetic as well as funny. Nicho-

las Woodeson is hrittle, but

touching, as Hassan and Nitzan

Sharron, as Rashid, carries off

the difficult task of playing a

decent character without becom-

ing e void on the stage. Planell

has something to say and a

quirky voice with which to say it:

it will be interesting to see which

vitality, which does wonders for the character - a far cry from the usual blonde airhead - and for the play. Her vocal range needs broadening. though (slightly nasal, with ome dodgy vowels that make her sound declassee); and for the last act, the passage of 15 years seems to have left no mark upon her. Her dim swain Christian is beautifully played by Raymond

> 4's Underworld about 15 years younger, and cuter. It is perverse to have everyone call him "Christiane", which is oeither English nor French: Frenchmen are never called Christiane. That isn't the fault of Anthony Burgess's translation.

of course, but his free version

Coulthard: imagine James Fleet's

woebegone William in Channel

Theatre

A nose

with

panache

Bergerac has come up from Stratford to the Lyric Theatre. Shaftesbury Avenue. As directed designed – just stage high slatted walls, but versatile – and

lit by Gregory Doran, Robert Jones and Howard Harrison, it

recommended. The essential

performance in the title role,

thing is of course a charismatic

which Anthony Sher provides in

full measure, with a magnificent

After the Stratford opening.

Macaulay on this page remarked

inhabited the role for a couple of

other critics besides Alastair

an air of chilly artifice about

months now, and I think the

mechanism and the character have melded together: this is a

Pinocchio (Sher is pint-sized)

with a vulnerable heart. If the

death scene is only moderately

anguishes in Act 4 could move

brilliantly contrived; it lies in

for the heroes of English

treasure Cyrano as a Gallic

archetype, an heroic cartoon.

the nature of the role. In English

the challenge is especially severe

drama do not pelt us with florid

gasconnades, whereas the French

lexandra Gilbreath's

Roxane has been rightly

praised for her sparky

affecting, his throttled, lovelorn

Any Cyrano, after all, has to be

Sher's Cyrano. But he has

works a treat: warmly

reviews, the Royal Shakespeare Company's Cyrano de

has a few problems of its own. Moch of it is moderncolloquial, and therefore more actor-friendly than a more literal translation of the fusty text. At its best, the lines have the witty and sympathetic piece, given a crackling translation by John Clifford that manages to breezy-but-pithy feel of a good Broadway lyric. When Burgess's live up to what is clearly s richly colloquial original: it even takes rbyming couplets have to stand in for Rostand's grandiose poesy, bowever, the change of tone is jarring: the word-play often tives. The acting too is most laborious, the fanciful roulades to the entire cast that they manage to fling out their failed coigrams as if they were the real

These quibbles should not deter you from going to see the Curano of the decade. It is not Rostand's language that has kept the play alive, but his superbly theatrical conception. Doran and his feeming RSC cast bave revived all its flavour, with Cyrano's own famous panache.

**David Murray** 

B MARY

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Lyric Theatre, Shaftesbury Avenue, London W1 (0171-494



Engagingly roguish comedy: Nitzan Sharron, Nicholas Woodeson and Adrian Edmondson in 'Bazaar'

Court Upstairs, the sole representative of Spain at the theatre's New European Writers Season. While one can't belp thinking that there must be more taxing work going on somewhere in Spain, one also cannot help but enjoy Planell's engagingly roguish comedy that of racial tension in Madrid.

Planell comes np with s delightful scenario. The play is set entirely in the storeroom of Hassan's shop, where piles of tacle. video cameras and hairdryers vie for supremacy. Here, Anton, the local no-good boyo, is nursing a broken wrist and trying to entice Hassan's nephew, Rashid, newly arrived from Morocco, into a dodgy insurance scam.

While Rashid demurs, his uncle arrives, thrilled with the news that his work is to appear "on telly". It transpires that he just happened to be trying out a new video camera when Anton had

## Theatre/Sarah Hemming

## Quirky look at a mad, bad world

equivalent of You've Been Framed and now offers to split the takings with the unwitting and unfortunate star of the spec-

Things take a twist, bowever, when the television people change their minds. The quality of the film is so good, they complain, that the accident looks set up; they would like Hassan to set the accident up again and film it more fuzzily so that it looks more real. Thus Planell creates a wooderful picture of e mad world where appearance is everything. But while he cannily lays into the more tawdry aspects of conthe spectacular accident that temporary Spanish life and culresulted in his broken wrist. ture, he also exposes the prob-

be making e success of his life, son, as Anton, displeying to the but as he becomes increasingly full his talent to look unwashed; dogged ebout remaking the and though his performance video, the real strains upon him

t is et this point that the play loses something. Placell steps up the comedy and darkens the subject matter, but he doesn't convince us of Hassan's motive. Meanwhile Roxana Silbert's direction, which has otherwise managed to make the situation both plausible and very funny, doesn't keep the pace going sufficiently as events become increasingly absurd. The play eppears to sag suddenly about two-thirds of the way

Opéra National de Paris, Opéra

Der Rosenkavalier: by Strauss

Renée Fleming, Susan Graham

and Barbara Bonney; Dec 8

Tel: 33-1-4473 1300

way he goes next. Continues at the Royal Court Upetairs, London (0171-565-5000).

Conducted by Patrick Summers in a production by Mark Lamos,

ST IVES **EXHIBITIONS** Tate St. Ives

Opéra National de Paris, Palais Gamier Tel: 33-1-43439695 The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 6, 9 to European abstraction registers

Théâtre des Champs Elvsées Fidelio: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, with the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera. Conducted by Louis Langrée; Dec 9

■ SAN FRANCISCO

**OPERA** San Francisco Opera, War Memorial Opera House Tel: 1-415-864 3330 www.sfopera.com Eugene Onegin: by Tchaikovsky. Yuri Temirkanov conducts his 1980s Kirov Opera production, with a cast including Anthony Michaels-Moore; Rigoletto: by Verdl.

with sets by Michael Yeargan; Dec 4, 6

Tel: 44-1736-796 543 Roger Hitton (1911-1975): around 40 paintings and drawings and together in this show devoted to one of the most important post-war British painters. The exhibition traces Hilton's development through his drawings, while a room devoted

the impact of artists such as

■ VIENNA EXHIBITIONS Jüdisches Museum Tel: 43-1-535 0431

www.imw.at

Mondirlan; to Apr 26

Max Liebermann: selection of paintings by the German Impressionist dating from the period 1900-1918, during which the Jewish haute bourgeoisie flourished. Liebermann was an active collector of the French impressionists, and his collection is partially reconstructed here. The show also focuses on the latter part of the artist's life, after the National Socialist takeover, when he found himself a cultural outcast; to Jan 18

Kunstforum der Bank Austria Tel: 43-1-533 2266 Art and Insanity: wideranging

survey of the relationship between madness and the visual arts, from the Baroque to the modern. The 350 works on display include Géricault's portraits of the mentally III. 19th century representations of lunatic asylums, and works by psychotic artists; to Dec 8

**■ WASHINGTON** CONCERTS Kennedy Cente Tel: 1-202-467 4600 National Symphony Orchestra: conducted by Maximiano Valdes in works by Ginestra, Puccini, Verdi and Prokofiev; Concert Hall; Dec 4, 5

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CNBC 08.30: Squawk Box 10.00: European Money Wheel 18.00: Financial Times Business

# INTERNATIONAL

## ■ AMSTERDAM

Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen, Cast includes Joan Rodgers and Sheri Greenawald; Dec 4, 7

■ BERLIN OPERA Deutsche Oper Tel: 49-30-34384-01 Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas

■ BOLOGNA

Reinhardt; Dec 7, 9

**OPERA** Teatro Comunale Tel: 39-51-529 999 www.nettuno.it/bo/ teatrocomunale Turandot by Puccini. Revival

conducted by Daniele Gatti in a staging by Hugo de Ana; Dec 4, 6, 7, 9

■ CHICAGO

**OPERA** Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slavery campaign, Dennis Russell Davies conducts a production by George C. Woolfe; Dec 5, 8

**■ EDINBURGH** EXHIBITIONS Scottish National Gallery of Modern Art Tel: 44-131-624 6200 Correspondences: transferring from the Martin-Gropius-Bau, Berlin, a selection of works by

six young Scottish and six young German artists. Organised as an exchanga, the display includes painting, sculpture, video and light projections; to Feb 1 Scottish National Portrait

Gallery Tel: 44-131-624 6200 Portraits of Excellence: a series of photographs of distinguished academics at the University of Edinburgh, commissioned according to an 18th century University tradition; opens tomorow

LONDON CONCERTS

Tel: 44-171-638 8891 Sarah Chang: recital by the violinist of a programme including works by Strauss and Brahms. With planist Charles Abramovic: Dec 7

English National Opera, London Coliseum Tel: 44-171-632 8300 The Magic Flute: by Mozart. Nicholas Hytner's production, revived by David Ritch and conducted by Christopher Moulds: Dec 4, 6

THEATRE Tel: 44-181-741 2255 Oh Les Beaux Jours: by Samuel Beckett (1961). Peter Brook directs Beckett's French language version of Happy Days; Dec 4, 5, 6

■ LOS ANGELES **OPERA** L. A. Opera, Dorothy Chandler

Pavillon Tel: 1-213-972 8001 www.laopera.org Countess Maritza: by Kálmán, Premiered in Santa Fe this summer, Linda Brovsky's production is conducted by John Crosby, Dec 5, 7

MADRID EXHIBITIONS Fundació "la Caixa" Tel: 34-1-435 4833 Joaquim Mir, 1873-1940: A Life's Journey. Retrospective of around 140 works by the landscape

painter: to Jan 25

■ NEW YORK DANCE New York City Ballet, New York State Theater

**OPERA** Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 www.metopera.org

 Don Giovanni: by Mozart. ● La Clemenza di Tito: by Mozart. Conducted by James Levine in a staging by

and Anthony Rolfe Johnson; Dec 6 The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by

Dawn Upshaw and Samuel Ramey; Dec 4, 8 Turandot: by Puccini. Revival of a staging by Franco Zeffirelli; Dec 5

CONCERTS Salle Plevel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Wolfgang Sawallisch in works by Beethoven. With soprano Eva Mei, tenor David Kübler, bass Jan-Hendrik Rootering and Choir led by Arthur Oldham; Dec 4, 6

New production conducted by Edo de Waart In a staging by

OPERA

Tel: 1-212-870 5570 George Balanchine's The Nutcracker, Dec 4, 5, 6, 7, 9

Production by Franco Zeffirelli;

Jean-Pierre Ponnelle. Cast includes Anne Sofie von Otter

James Levine. Cast includes

PARIS

Economic Viewpoint · Samuel Brittan

# 'Asian model', R.I.P.

A modest consolation for the Far Eastern financial setbacks is that we should now hear rather less about the much canvassed virtues of Asian capitalism

we have been bornregion is endlessly diverse. barded with mes-It contains Japan, a leading sages saying that member of the Group of Seven top industrial couneast Asian countries have invented a non-individualistries, China, still a very tic form of capitalism supepoor country struggling to rid Itself of its Maoist heri-tage, the smaller "tiger rior in kind to the selfcentred bedonistic kind economies" that have been enjoyed in the west. growing rapidly in recent years, others that have been

The messages have mostly come from long-time west ern opponents of competitive markets after they could no longer claim that European typs corporatism was achieving results. But in recent years some east Asian leaders, notably Lee Kuan Yew of Singapore and Mahathir Mohamad of Malaysia, have joined in proclaiming so-called Asian values. Proponents of thesa values argue that filial piety Mr Lingle, is the "one famand the subservience of the lly state". Harsher critics individual to communal rights have been the key to talk of "crony capitalism". growth and stability. Mr Lingle believes that the

On the left, the east Asian pattern has been praised by western commentators who envy the close relations between government and business in many of these countries and the element of central guidance behind their development. The authoritarian right has been impressed by the limits placed on any criticism of authority, the resolute suppression of "permissive" lifestyles and the draconian punishments for minor

Yet Europeans and Americans would always have been wrong to panic about the supposed threat from Asia. As Christopher Lingle, the US economist, remarks in a new study\*, "transient western problems associated with restructuring in response to the demands of the global marketplace have been exaggerated by critics into a signal of the end of an era of economic ascendancy for Europe and America".

For, in splte of all the proexistence of the supposed

trying to emulate them, and some that have not sven reached the starting post. About the only thing that unites them is the refusal of most of their rulers to countenance criticism of each other. If you want to hear China's occupation of Tibet condemned, do not go to an east Asian conference. A real and recurring rebuttal of Dr Mahathir's Asian model, according to

phase of very rapid growth in parts of east Asia has attack when a macro-econmuch in common with comparable growth rates experienced by the defunct Soviet Union, which were too often

Even Paul Samuelson, the Nobel Prize economist, once predicted that Soviet living standards would catch up with those of America by the early 1990s. Soviet growth was genuine enough, but based on the forced injection of capital and western technology, which provided only a one-shot boost. Authoritarian arrangements do not encourage innovation or adaptation

Recent financial crises

taken at face value.

have shown that, far from having developed a superior model, some of the most bighly praised east Asian economies are prone to all the excesses of the Anglo-Saxon form of capitalism and then some more. They have developed "bubhle" economies with an over-indulgence in real paganda, the content or estate and stock market investment, driven by lax shared values is problem- bank lending policies as

atic. Tha vast east Asian well as overoptimism by foreign investors. At one point the aggregate market value of real estate in Greater Tokyo was estimated to be larger than that of all the

property in the US. The financial storms are not just a chance misfortune but a direct result of the much vaunted special features of the Aslan model. Michel Camdessus, managing director of the international Monetary Fund, who is no free-market fanatic, has just remarked that international investors "who previously had chosen to ignors...the murky intertwinings of banks, companies and governments, decided it was much safer to believe the worst". In direct

repeated attacks on cur-

rency markets, Mr Cam-

dessus replied: "I have

nevar seen a speculativs

omy is strong and government policies are sound." Alan Greenspan, chairman of the US Federal Reserve, has said that government-directed investment "inevitably has led to the investment excesses and errors of the last few years

leading to misuse of

tually loan defaults".

Political systems, he remarked, substitute hope or wishful thinking for difficult pre-emptive policies. International assistance without reforms, such as much greater transparency in financial systems, would

be "worse than useless". Present crises are not merely financial. A central part of the growth strategy of many east Asian coun tries is government-directed investment funded through taxes and forced savings. As Gavyn Davies of Goldman Sachs has noted, there has been overinvestment in real as well as financial assets. When a country's capital stock far exceeds its ability to make use of it, investment inevitably runs into

I do not know whether Mr Davies realises that he has rediscovered the "Austrian" theory of the trade cycle, emanating from overinvestment fed by excess credit. This theory was not after all killed by Keynes, even though Hayek choss the wrong time - the 1930s - in which to promulgate it. in any case, I hope that Mr Davies will draw his analyresources, unprofitable sis to the attention of his

diminishing returns.

How growth rates differ

GDP % growth: annu	al averages			
1950-6	1960-69	1970-79	980-89	990-95
OECD average	- 5.2	0.9	5.8	1.9
us 4	0 4.3	3.2	2.7	1.8
Germany	- 44	3.1	1.8	2.5
UK	6 32	24	24	. 1.0
Chima			9.3	10.2
Hong Kong	<b>∸</b> ',;; -'	v 82	7,3	8.1
South Korea 4	3 7.8	9.6	7.8	7.8
Indonesia	- 30	7.B	5.7	7.1
Japan	- 10.1	5.2	3.8	21
Malaysia	-," // -	8.1	5.7	8.9
Philippines 7.	1 48	6.1	1.9	23
Singapore.	8.9	- 11.1	7.4	8.6
Taiwan		9,8	8.1	6.4
Theiland 4	7 83	7.3	7.0	. 8.9

friend Gordon Brown, the UK chancellor, who still seems to take it as axiom-

atic that investment is

always a good thing. These longer-term reflections are not meaot to divert streotion from imme diate firelighting. This means action spearheaded hy the US administration and the IMF to contain the damage and minimise cootagion to the rest of the world About a third of US exports go to east Asia and Japan combined. Further afield, a Korean investment project in the UK has been put on hold and India has had to raise interest rates to pro-

Clearly there is scope for

tect its curreocy.

many things to go arong The IMF is having to tap the resources of western governments, including European ones. It will also have to be careful in how far it urges retrenchment on its borrow ers. A programme that might be sensible for a small individual country could well be excessively deflationary if applied to a sufficiently large part of the Asian economy. Ahove all there is the responsibility of the Japanese government, which, unlike the others, is in a position to maintaio home demand, but which foolishly raised taxes out of overzealous devotion to the

balanced budget religion. As anything that can be misunderstood will be misunderstood, let me draw attention to the quotation marks around the words "Asian model" in the title of this article. I am not arguing that the growth of east Asian countries is over. On the contrary, growth is likely to resume after the present adjustments. What s over is the so-called 'Asian model" as a system of organisation which western countries should either fear, or attempt to emulate.

\*The rise and decline of the Asian century, published by Sirocco, 98080 Barcelonn

## **BOOK REVIEW** · Peter Martin

THE DEATH OF DISTANCE: How The Communications Revolution Will Change Our Lives. By Frances Cairncross 312 pages, Orion Business Books, £18.99, and Harvard Business School Press, \$24.95

# **Balanced optimism** on innovations

typically folloss a sinuous curve in the mind. It takes a while for the significance of, say, the car, telephone or television to sink in. Once the importance of incovations is recognised, their short-term impact is exaggerated. That leads to a backlash of frustrated expec-

thing.
The trick in writing sweeping essays about the future is to judge each of the three inflection points accurately; to spot the technologies that will make a difference, to sess their sbort-term limitations, and to tease out the broad, systemic implications

half a century hence.

impact will be felt.

In this role she illustrates

access information but to interpret it and market the result".

One such act of interpreta-The continuing collapse in tations. But a few decades

later, the innovations can be seen to have changed every-

It is in this area of judgment that Frances Cairncross's book is so valuable. Few of the facts that she cites in her tour of the cyberworld will come as a surprise to the assiduous reader of this newspaper or The Economist (for which she writes). Both publications, indeed, feature prominently among the source material

in the footnotes. But that is not the point. Cairneross manages to distill into a single readable volume almost all the current thinking about the subject. saving the reader from ploughing through a mound of conflicting material. More important, she adds value by judiciously weighing the impact of individual innovations, highlighting those that will matter and the timescale over which their

one of ber own conclusions: that in an era of info-glut, "intermediaries will still be in demand, as long as they realise that their key to suc-

tion is the book's reminder that the humblest instrument of the communications revolution, the telephone, bas by no means reached the end of its capacity to transform economies and societ-

the cost of providing a long-distance call, the increase in the number of things a telsphone can do, and the "wiring of the world" will have a profound impact because the telephone is so simple to use and widely distributed.

in highlighting the importance of changing prices. this chapter reflects the book's balance between economic and technical developments. Cairneross compares the transition the telephone companies must go through with that experienced by deregulated airlines. In some ways (such as balance-sheet strength) the telcos are better placed than their airline equivalents; in others (such as the speed of technological change) they are worse off.

The result is likely to be the same: swings in profitability, loss of market share and a change in the pattern of pricing. "Just as no two passengers on an alrline today seem to pay the same price for a seat, in future no two callers will pay the same price for a call."

Cairocross concludes, not surprisingly, that the collapse in long-distance telephone prices will make distance irrelevant in many business decisions. "Companies will organise three types of work in three shifts according to the world's three main time zones: the Americas, east Asia/Australla, and Europe."

Important cess is not their ability to longer to arrive, but may be deeper. Small companies. and small countries, will be more viable than before. Brands will be more important. "What's hot - whether a product, a personality, s financial data - will attract

greater rewards." It will be easier to find buyers but harder to make fat margins. "The office will become a place for the social aspects of work, such as celebrating, networking, lunching and gosslping. Real work will be done at home - and boms design will adjust to reflect this.

ldeas will prollferate more rapidly, levelling the global playing field. Governments will find governing harder, and will have to bid for citlzens. US influence will grow. English will become the standard second language. but - paradoxically - minorlty ianguages and cultures will flourish. As this random selection

of her conclusions indicates, Cairneross's underlying approach is a sort of brisk optimism. This is best captured in her helless that e-mail will improve vonng people's prose style; and that "above all, it will be easier to find somebody to talk to...as a result, the world will, in all probability, be s better place". You do not have to be a Luddite to sus-

pect that these views are likely to prove rose-tinted. Still, balanced optimism is in short supply in futurology, where the choice is often between hyaterical gloom and Panglossian technology-worship, in ovolding these extremes, Calracross has performed a genuine

The Death of Distonce is available from FT Bookshop by ringing FreeCall 0500 500 Other changes will take (outside UK). Free p&p in UK

## Personal View · The Prince of Wales

# At the heart of business

Companies should invest more in local communities to mutual benefit

I have been president of Business in the Commu-1985 Looking back over the 450 events with which I have been involved in the intervening 12 years, it is encouraging to realise how much has been achieved in persuading com-panies to see the benefits of

community investment. Many of the original and, at the time, unorthodox ideas have since become accepted parts of corporate wisdom - such as building partnerships between the public and private sectors, backing community entrepreneurs and encouraging companies to devote a per-centage of pre-tax profits towards community invest-

Business in the Communlty, which began with a handful of pioneering companies, now has 400 members (including threequarters of the FT-SE 100), a national network of regional support and six business-led teams focusing on how com-panies can make the greatest impact on some of our most

My experience with Bustness in the Community has taught me three key principles for engaging business in the problems of the community. The first is partnership. The power of partnership was first demonstrated when, in 1985, the example of Halifax, West Yorkshire, taught business leaders that, in co-operation with the local authority, they could help bring back employment opportunities to a declining milltown. That experience of persuading businesses to become involved in longterm, sustainable partnerships continues to be at the heart of Business in the

Community's work. The second principle is the importance of encouraging business leaders to see for themselves the problems, opportunities and examples of best practice on the

in my "Seeing is Believing" tours in the past seven behind every budding com waste. years. The practical results munity entrepreneur there have been heartening. Many visits have encour-

aged companies to bring per-

sonal and management skills to the community. Under the auspices of KPMG, the sccountancy firm, 320 busiteachers' "mentoring project". Regeneration partnerships have been formed in Great Yarmouth, Norfolk. Lyle, are three examples. If following a visit led by Allen Bridgewater, the chief executive of Norwich Union, and in Thanet after a visit led by Sir Martin Laing, chairman of John Laing, the construc-tion company. The full list of tion company. The full list of shall be seeing today the corporate involvement results achieved at Winton makes encouraging reading. The third principle is the priceless value of that unsung hero or heroine, the community entreprensur. Those communities which, against all odds, have succeeded in reversing a spiral of decline have done so, in my experience, because of local characters like Paddy Doberty in Londonderry who, in 1981, started to revi-talise the hombed-out and run-down centre of his city.

The results are spectacular. I was delighted to hear Tony Blair, the prime minis-ter, recently endorsing the contribution made by community, or social, entrepreneurs. But however inspir-

companies to recycle surplus ing the individual, our products and IT equipment

ground. More than 800 busi- Princa Charles: has witnessed many changes as president

ness leaders have taken part experience in Business in to community organisations the Community shows that that might otherwise go to

Building social cohesion, needs almost always to be a raising achievement in network of business support. schools. getting young Some of the most senior unemployed off welfare and business leaders involved in into work, and attracting a Business in the Communidiverse workforce are seen ty's work have been vital in as areas where the private working with community sector has much to contribness leaders have been entrepreneurs, so that each ute. The government is seeknlty since paired with head teachers can give and gain from the ing to utilise the hard-won across the country in a experience of the other. Bill experience of business leaders who have been involved Castell of Amersham, Nevwith Business in the Comille Simms of Tarmac, and Sir Neil Shaw, of Tate &

ness and community volun-

assignments to stretch the

able to set up a new initia-

which will make it easier for

improved dramatically.

It is interesting, for examcompanies are prepared to back the individual on the ple, to see that Husiness in the Community's experience is being put to use with Sir front line, whether a community entrepreneur or a dedi-Peter Davis, chairman of cated head teacher, the Business in the Community, and Graham Hawker, chair-man of Business in the Comresults can be inspiring. I munity Wales, chairing Primary School in King's national taskforces on Wel-Cross by a head teacher fare to Work. where, with the help of busi-

But obviously a great deal more remains to be done. I hope Business in the Comteers, reading skills have munity will go on striving to Gifts in time and kind are raise the quality of corporate becoming as important as gifts of cash. Companies sericommunity investment. We must encourage companies to involve themselves in the ous about their management most disadvantaged communities and the most intractaskills of their young manag-ers. Marks and Spencer, for ble issues and I hope that the work of Business in the example, places 300 staff a Community - to change the year on 100-hour assign-ments and full-time secondmainstream attitudes of companies and to influence ment. And last year I was how they recruit, train, sell. purchase and invest - will tive called "Gifts in Kind",

1 also hope that Business in the Community will play a helpful role in inspiring companies to develop tha ethos and values that could underpin their community work and initiatives in the run-up to the milleunium

and the century beyond. The need for long-term sustainable solutions to the problems faced by our most struggling communities will not magically disappear in 2000. The vital contribution that business can go on making in the search for practical solutions will continue and I hope that the increasing number of examples of best practice all over the country will inspire others to harness the power of the business community to the needs of those who constitute its iess-favoured clients and neighbours.

See Business in the | still focus oo official inter-Community magazine | ventions at frootiers, princl-

## ·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SEI 9HL We are keen to encourage letters from readers around the world. Letters in to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, bttp://www.FT.com Trunslation may be available for letters written in the main international languages.

## Credit ratings in Asia appear not to be making the grade

From Mr D.K. Patel. Sir, Surely one of the casualties of the current finan-cial turmoil in Asia should be the reputation of rating agencies. As markets have collapsed, we have seen a rush to downgrade companies which s few months ago were worthy of investments. An extreme case is the way agencies have reacted to the recent plight of the Japanese banks. Several banks raised hundreds of millions of dol-

lars worth of second-tier

equity in the international market this year. Quite a few are now facing steep

downgrades. When agencies were rating for Japanese banks' perpetuals, they were fully aware of their lateot bad debt situation. This has been an open secret for several years. Now that we have a disclosure (albeit partial) of their problems, the quality of their paper is suddenly called into

So how much can an

investor rely on the judgment of rating agencies? Recent experience seems to show that ratings, given during rising markets, suddenly turn sour when the markets decline. I suggest that investors in future would be served better following their instincts, rather than being

D.K. Patel, 8 Mansfield Road, Hong Kong

persuaded by ratings.

## Money-saving consultancy system

From Mr John Knight. Sir, I felt your article on business jargon ("Prizewinners in the business of jargon", November 24) to be an unwarranted slur on management consultants. whom I have always precise language. Indeed, a little semantic analysis of the expressions they use reveals they are constructed on strictly logical principles. The expressions are usually four-word phrases of which the first is either a

synonym for "important" or

an adjective demonstrating

the consultant's grasp of the latest advances in management theory.

The second word is a noun defining a component of a husiness. It is usually a familiar term, but archaic words such as "employee" ern alternatives like "human resource" are available. The third word is either

synonymous with "change" or states the desired result of change. Change words beginning with "re", such as repositioning and realignment. have the most impact. The result of change is, of course,

always something that everyone will snpport. The last word is a noun denoting something needed to achieve change. It always has strong connotations of relevance

and good value.

I have found this analysis so fruitful in generating business improvement ideas that I have recently automated the whole process. with a considerable saving in consultancy fees.

John Knight, 8 Essenden Road, South Croydon. Surrey CR2 OBU. UK

## Changes needed in customs practices

From Maria Livanos Cattaui. pally customs. The core Sir. I refer to the letter re problem is inefficiency. customs corruption from Leonid Lozbenko, deputy secretary general, World Customs Organisation (December 1). The WCO is general and acute political and commercial appreciation of the resistant complexities of customs maipractices that exist in far too many

ecocomies. The World Trade Organisation has done sterling work in liberalising world trade in goods, but the individual consignments (what trade really consists of) are still far from free. Unnecessary constraints

problem is inefficiency, which is ofteo exacerbated and perpetuated by corrupt practices. The International Cham-

ber of Coomerce seeks reform through a systematic improvement of efficiency standards and has set out some key characteristics of a sound customs service in its recently issued international customs guidelines, drafted with the benefit of much useful comment from WCO

We are moving ahead, in our central strategies and through the influence of our numerous national committees, to supplement the practical application of the ICC's guidelines with pressures for France

specific improvement in such areas of customs control as automation, riskassessment and deferred payment systems.

These all help to identify and limit opportunities for irregular practices.

Meanwhile, we are urging the WTO to back global customs reform by giving obligatory and enforceable status to the Kyoto convention on simplified and harmonised customs procedures under revision by the WCO.

Maria Livanos Cattaui. secretary general, International Chamber of Commerce 38 Cours Albert 1, 75008 Paris,

## Russians were also victims

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From Mr H. Chamings, Sir. I read of the intention of Robin Cook, the UK foreign secretary, to sponsor help (including government help) for families of sufferers from Nazi oppression, and bank accounts ("Fund proposed for Nazi victims". November 29). Late, perhaps, but no doubt welcome to many future recipients. in the light of recent consideration of the white paper from our new Department for International Development, an additional question arises. It appears in the tion-UK introductory papers to the UN system wide special initiative for Africa. I quote: "How much of the wealth in Swiss bank accounts belongs to the corrupt (ex) African leaders.

deceased?" I would pose a further potentially embarrassing question: is nothing to be offered to those dependents of Russians who survived that Nazi assault, or who died as prisoners of war?

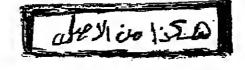
particularly those now

Harold Chamings, 263 Warminster Road. Sheffield, SS 8PS,

## Decided to opt out

From Mr C.R. Peer. Sir, I entirely agree with Sir Bryan Nicholson's letter (November 27). I recently informed the Institute of Directors that I was not renewing my membership because of its opposition to UK membership of Emu. 1 was a member for less than two years but was never consulted about my views on any matter during that time.

Maritime House, Haywards Heath, West Sussex RH16 3SU, UK



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## **COMMENT & ANALYSIS**

he final word on the

great American cam-

paign-finance scandal

of 1996 goes to Dick

Morris, chief architect

of Bill Clinton's successful re-

election campaign: US political

fundraising laws are so porous that "you'd bave to be a genius

Those will not, of course, be

the final words on this year's

scandal, which has consumed the

politics of Washington for over a

year already. Many more will be

written and spoken by Republi-

cans, the media and advocates of "clean politics" who are not yet

But the momentum that has

driven the scandal for the past

year has faltered, probably termi-nally. For when Janet Reno, US

attorney general, announced on

Tuesday that sha would not

appoint an independent prosecu-

tor to investigate the narrow

issue of fundraising phone calls

made by the president and

vice-president, sha sent a broader

signal of exoneration. Desplte

thousands of man-hours of inves-

tigation, she has so far found no

evidence of criminality at the

highest levels of the White

The resolution of scandal will

affect the public and politicians

in different ways. It is unlikely to

alter the widespread public sense

of disgust and cynicism about the

influence of money in politics.

But it could help Al Gore. By

removing the judicial spotlight

from his fundraising activities, it

should remove an obstacle to his

presidential ambitions. Even so,

the scandal will leave its mark on

the Democrats, by frightening off

more donors and leaving the

party beholden to its traditional

All this is to assume that mat-

ters will not change. Ms Reno's

own sleuths, or those in the

media, might yet uncover a clear

Probes of the activities of lower-

level officials like Bruce Babbitt.

the interior secretary, could still

reveal links to the White House.

And Republicans will try to stoke

the fires of Democratic scandal,

most immediately by exploiting

differences between Ms Reno and

Louis Freeh, the FBI director.

who openly favoured the appoint-

ment of special counsel. Both

may well be summoned before

the House investigating panel to

But for the most part, the bat-

tle over money and politics will

now be confined to the political

arena, where charges are more

easily dismissed as partisan. And

the House probe will be under-

mined further by the fact that

the Indiana Republican who

heads it, Dan Burton, is himself

accused of a serious case of fund-

The appointment of an inde-

pendent counsel would have

testify about their differences.

ready to abandon the fight.

to be a criminal".

## FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday December 4 1997

# \$55bn rescue for Korea

With help from its friends, the International Monetary Fund has agreed to provide \$55bn (£33bn) to South Korea, in its largest ever operation. Against the background of the Asian financial crisis, this is probably justified. Yet its size must make any observer queasy. Will foolisb outside investors be adequately punished and is Korea committed to the necessary

This is a complex arrangement: the DMF is to provide \$21bn, the World Bank \$10bn, the Asian Development Bank \$4bn, Japan \$10bn, the US \$5bn and other high-income countries the rest. The details of the promises made, in return, remain unclear. But, apart from fiscal and monetary tightening, their focus is - rightly - on the financial sector.

Measures are expected to include immediate closure of some banks, greater freedom for foreign financial institutions to establish in Korea and a halt to government direction of bank the end of an era of dirigisme lending. Further trade bheralisthet contributed to its extraordiation is also probable. The chaebol, the conglomerates whose But this crisis has shown that financial plight is at the root of such interventionism cannot be the crisis, will now have to combined with freedom to borrestructure or perish.

Yet how can so vast an operation be justified? After all, choice: It must liberalise sys-Korea is one of the world's tematically. If this package wealthier countries. The only halts the regional contagion and good answer is the Asian finan- leads to domestic reforms. It

should convince foreign lenders that sound borrowers will not fail merely because exchangerates are pushed into collapse. That knowledge should, in turn, help restore confidence. Yet private lenders and bor-

rowers must also be penalised for bad decisions. Where financial institutions and companies are bankrupt, their creditors except, perhaps, small domestic depositors - should share the pain. The IMF money is to limit exchange-rate overshooting, cushion the costs of adjustment and accelerate reform. It is not to bail out every idiot who has lent short term to fund

As Alan Greenspan, chairman of the US Federal Reserve, said on Tuesday: "Assistance without further reform of financial systems and economic policies would be worse than useless, since it would foster expectations of being perpetually bailed

long-term investment.

For Korea, this must mark narily successful development. row abroad. Since the latter can hardly be halted. Korea has no cial crisis. This operation will be worth every cent.

# Old-time SPD

Ten months before Germany the popular desire for unificaholds its next general elections, the opposition Social Democratic Party (SPD) is still in a the urgent need for an overhaul terrible muddle. It cannot of the German tax and welfare decide who it wants as leader. and it cannot decide what platform it wants to fight on. And yet all the members attending the party conference in Hanover this week were in a fine state of

the SPD to unseat Helmut Kohl, party mistrusts him. He is too Germany's chancellor, this pragmatic for the faithful and should be it. His ruling coalition too nakedly ambitious. He was of Christian Democrats and Free Democrats is divided and national executive, behind both bereft of fresh ideas. The FDP is in danger of losing its seats in Scharping, the last party leader parliament if it cannot win to lose to Mr Kohl. more than 5 per cent of the vote, And Mr Kohl is looking tired and stale. But the SPD does not look like an alternative government.

Part of the problem lies with Oskar Lafontaine, the party chairman. He is a marvellous orator from big platforms, and he knows it. So he can get away with reworking tired old policies and still make the party faithful love them. This week he was on about curbing financial speculators and urging business to put workers' interests above shareholder value. It went down a treat and be was resoundingly

re-elected leader. The trouble is that Mr Lafontaine is a loser outside the conference hall. He was trounced by Mr Kohl in the 1990 elections, when he simply misread looks far too old-fashioned.

The UK government's proposed

ban on selling beef on the bone will ruin far more than the plea-

sure of meat lovers who can no

longer enjoy roast ribs, oxtail

farmers reeling from a collapse

in their incomes, caused partly

by the strong pound and partly

by loss of consumer confidence

resulting from earlier episodes

Although only about 5 per

cent of beef is currently sold on

the bone, the whole meat mar-

more adverse publicity. Sadly,

this comes amid signs of a ten-

tative revival in beef sales, if

an eventual end to the Euro-

the disastrous legacy of inade-

quate action and excessive re-

assurance by the previous gov-

ernment, he could not take time

The instant ban may come to

be seen in hindsight as an over-

cut, it might not have been nec-

essary had confidence in official

pronouncements not already

been shattered by the previous

government's incompetence. As

it is, the alternative - simply

advising consumers about the

small risk of eating beef on the the week.

pean Union trade ban.

considering the matter.

stew and T-bone steaks.

in the BSE saga.

tion. Now he is harking back to the policies of the 1960s, when system is obvious to everyone

der, the SPD state premier in Lower Saxony, is the man to beat Mr Kohl. He is more pro-If ever there was a chance for cal than his colleagues. But the grudgingly elected to the Mr Lafontaine and Rudolf

> Even Mr Schröder has made himself a hostage to fortune: he has promised to withdraw from the race to be chancellor if his own vote in local elections in Lower Saxony in March drops by more than two percentage points. So the party cannot decide who will fight Mr Kohl until Lower Saxony bas voted.

The trouble with the SPD is that it does not seem hungry enough for power in Bonn. It already holds power in a majority of the provincial parliaments and in the Bundesrat, the upper house. That keeps most of its leaders amply occupied. The SPD only has a chance of winning the next elections if it looks like a party ready to reform Itself and the country. Under Mr Lafontaina it just

bone – would just have added to the confusion.

If there is a risk in the UK,

where BSE is being eradicated,

disclosure will deepen the con-

This makes it the more urgent

for government, industry and

consumers to be allowed to

learn the lessons of the crisis.

Yesterday's announcement was

right, but it is not enough. Tony

Blair, the prime minister, needs

the government will establish

an independent inquiry into the

BSE debacle, to report no later

than the middle of next year.

Without one, the chances of

consumer confidence in beef

being restored will dwindle by

been allowed to unfold.

Unsafe bones

not in prices, and some hopes of infected by eating BSE-contami

ture minister, had no political to BSE, and most scientists pre-

choice but to act on the advice dict many more cases in the

reaction but at least it is clear to announce without delay that

of his scientific advisers. Given years ahead.

case of wrongdoing. New allegations surface every few weeks. Just a fortnight ago, US newspapers carried headlines charging that the White House sold burial plots at the prestigious Arlington cemetery in exchange for cam-Some say that Gerhard Schröpaign donations.

business, and more Euro-scepti-

Life of

raising abuse.

prodigious energies to busine His substantial personal fortune must be a comfort. And when he wanted the ear of prime minister John Bruton earlier this year O'Reilly didn't need to travel over to Dublin. The Tooiseach.

Up for the cup

French prime minister Lionel Jospin is doing his level heat to climb on the football bandwagon. A few days ago the backetball-loving premier held a press conference at the Matignon to throw his weight. behind preparations for next. year's World Cup finals, which France is hosting. Today he will be in Marsellles for the keenly-awaited draw that will . divide the 82 qualifiers into eight

groups of four. But he'd do well to remember that football is, well, a game of two halves. Former British prime minister Harold Wilson is said to have blamed his 1970 election defeat on England's loss to West Germany in the World Cup quarter finals. Expect Jospin to be cheering his heart

out next summer. Dame buster ■ Belgium's Vieille Dame - the

powerful holding company

its first done as chief executive. She is Christine Morin-Postel, currently head of the property arm at Suez Lyonnaise, SGB's

French parent The venerable SGB once had stakes in more than 1,200 companies, accounting for more than a third of Belgian gross domestic product. Suez bought control back in 1988, since when the old lady has been slimmed down but rather left to her own

The arrival of Mone Morin Postel, by accounts a formidable type, could change all that. The whispers are that she's been sent to do what she has already done to other parts of the Suez-Lyonnaise empire -

A decade of wrangling between Swiss Roman Catholics and the Vatican has ended with the departure of Wolfgang Haas, the controversial bishop of Chur It's been an ugly episode that even prompted the intervention of the Swiss government; now Haas, whose strongly

is bracing itself for the arrival of his flock, has been shunted off by the Pope to a new archbishopric in Liechtenstein.

are not used to promote a partic-

ular candidate. But this is the

thinnest of fictions: in the 1996

anything on a grander scale. It

even used the same film in candi-

Mr Clinton sheltered behind

this fiction to get around a \$37m

limit on spending for the primary

election campaign, using party

funds to finance an extra \$44m in

early television adverts which

Altogether, Republicans raised

\$141m in soft money and Demo-

crats \$132m in 1996, a combined

total nearly three times higher

than the 1992 election. The last

election was a watershed: the

year when both parties stopped

even pretending to obey the laws

put into place to clean up politics

Both parties clearly violated

the spirit of the electoral laws;

but as Ms Reno said on Tuesday,

ber finding was based not on

spirit but on "the law's letter". This open mocking of the elec-

toral laws has shaken any linger-

ing public belief in the ethics of

politicians. But with public confi-

after Watergate.

may have clinched his victory.

Republican party did th

date and "issues" adverts.

Haas was opposed by his liberal flock from the outset. His appointment in 1988 to Switzerland's second largest diocese, which embraces Zurich and six other cautons, was seen as a high-handed move by Pope John Paul II to impose his protege. Since then, the bishop has upset many Swiss Catholics with his opposition to lay preachers and female helpers. Catholics have been leaving the church in droves and, in October, the Swiss fereign ministry appealed to the Vatican to resolve the conflict.

While the Swiss are relieved that it's all over, Haas might be less pleased with the outcome. As a Liechtenstein native, his new job is a homecoming. The downside is that he's moving from a diocese of 700,000 Catholics to a country with a fotal population of 31,000 including a fair few protestants and agnostics.

## Green fingers

Congratulations to Soria Frunzaverde, a civil servant who's fulfilled his destiny by becoming Romania's new environment minister. Who better for the job than a man whose name translates as "greenleaf"?

seems unlikely directly to affect voting patterns. And the Issue most likely to have inflamed public tempers - the allegation that Democrats took money from Chinese and other foreign donors has yet to be stood up by any investigation, including the Sen-ate probe which abandoned the task after months of hearings.

Indirectly, though, the effect could be significant. For though popular support for Democrats is unlikely to be much affected by the scandal - not least because the public blames Republicans equally with Democrats - the Democratic vote could be compromised because the scandal has hit party fundraising.

November's round of guberoatorial and congressional contests showed the Democrats at a serious disadvantage, both because donors have held back funds to avoid potential scruting by n prosecutor, and because the party was required to give back \$3m in illegal or improper dona-tions, leaving it \$15m in debt. The election in Staten Island, New York, was particularly worrisome for the party: a strong Democratic candidate there unexpectedly lost to a heavy-spending Republican. The Democrats, who historically have always lagged the Republicans in fundraising. face a potentially serious deficit ahead of the mid-term 1998 congressional elections, unless donor jitters clear up soon.

undraising woes could affect not only the party's overall electoral prospects, but the nature of the party, at least in the short term. For with other big donors absent from the fray. Democrats will be left with no choice but to depend heavily on labour - for money and for volunteers. In the 1996 congressional elections, unions spent \$35m for the Democrats on television advertising alone, tipping several marginal contests the Democrats' way. The upshot could increase the clout of the "liberal" (left) wing of the party. at the expense of the more moderate new Democrats. Ironically. that would mean the fundraising scandal could indirectly jeopardise one of the most important goals of Mr Clinton's presidency: moving his party and the country's political agenda towards the

Signs of a shift to the left are already apparent: Democratic congressman, beholden to labour for finance, belped defeat Mr Clinton's request last month for "fast track" trade negotiating authority. Indeed, the fast track defeat is arguably the clearest single casualty of the year-long

Only the presidential campaign will tell whether the fundraising issue has also burt Mr Gore, who has more to lose than the president from allegations of impropriety because of his image of public integrity. Most political analysts think he will have ample time to recover lost ground - unless the scandal breaks out again.

Meanwhile, the public will regard its elected representatives with ever more distaste, as they step up their fundraising activities ahead of the mid-term elections. And the larger issues - the cost of campalgning, and the troubling link between money and politics - are no closer than ever to resolution.

# KEEP OUT

probe verged on the absurd: Ms

Reno's investigation of Mr Clin-

ton's fundraising phone calls

found that the president called

were made from the White House

residence, which is not unlawful.

Even more judicial hairsplit-

ting was involved in the decision

regarding Mr Gore's phone calls.

Ms Reno found that he called 45

potential donors from the White

House, but that be solicited only

"soft money" for general party

campaigning, rather than "hard

So she was able to clear the presi-

a rather absurd technicality.

Marooned in a minefield

Although the momentum of the US scandal over fundraising has

faded, its legacy will still influence politics, says Patti Waldmeir

level of scrutiny - and a steady Outside Washington, many soft money for so-called "issues flow of headlines that would have Americans complained that the advocacy" so long as the funds reflected badly on the president, who is bidding for a place in his-tory, and, more importantly, on Investigations will continue on several levels: on Capitol Hill, Mr Gore, who is fighting for the focused on whether calls were election, Democratic "issues" where campaign finance hearings Oval Office. Ms Reno's decision made from one room rather than advertisements prominently feaare going on in the House, in the removes a potentially serious another at the White House. She tured the presidential visage. The media and even within Ms Reno's department, where the attorney obstacle to the candidacy of Mr general has promised that "no Gore, while alleviating one of the two donors to thank them, and allegation will go unexamined". most damaging scandals afflict- one to solicit funds, but all calls ing Mr Clinton.

Though the institution of snecial prosecutor has been discredited since the halcyon days of dent - on what plays in Peoria as Watergate, a continuous judicial probe would have kept the White House squirming for many crucial months ahead of the next election.

But even if the political classes keep the scandal simmering, there is little sign it will command much public attention. Most Americans dismiss the bloodsport between politicians and journalists over campaign finance as a Washington game with little relevance outside the Capitol beltway. Their lack of outrage reflects not acquiescence. but their low expectations of politicians. Opinion polls show the public disgusted by the cost and ethics of campaigns - and cynical about prospects for change. The nature of the campaign finance investigation to date has

money" for a particular candidate. Under the law, this did not violate the injunction against fundraising on Federal property - even though some of the money later ended up in a Democratic National Committee hardmoney account. Ms Reno concluded that Mr Gore did not know of the diversion.

The law recognises a gulf between "hard" and "soft" money which largely cludes the general public. Parties can legally collect meant an altogether different only deepened that cynicism. virtually unlimited donations of dence already at low levels, it

# OBSERVER.

# O'Reilly

then the same precantions Mixed emotions on the should be taken elsewhere in It is a devastating blow for Europe where cattle are farmers reeling from a collapse infected. In Britain, the latest Emerald Isle as Tony O'Reilly, freland's prodigal son, prepares to step back from the helm of . Heinz. Retirement will give the troversy surrounding the BSE former rugby star more time to saga. More questions will be play "Celtic monopoly" with his business interests back home. asked about its origins and about the agonising way it has

The food giant stole O'Reilly The demoralising fact is that away from his native land back in 1969, when it posched the more bad news is all but certain ket is likely to feel the impact of to ensue, if not from scientific 33-year-old whizz-kid to run its research then about the human UK operation. But former Heinz victims of Creutzfeldt-Jakob disboss Burt Gookin was so impressed that, from the very ease who were almost certainly start, he allowed O'Reilly to keep a stable of private interests. nated beef in the 1980s. Twen-These days the family empire ty-two people have died from Jack Cunningham, agricul- the new variant of CJD linked

includes two out of every three newspapers sold in Ireland, a County Kilkenny zinc mine run by Tony junior, and a newly-acquired Elm mansion in Dublin's Fitzwilliam Square. And O'Reilly's always had

impectable connections. Back in 69, prime minister Jack Lynch did his best to persuade the young gun - who'd already isunched Kerrygold Butter into an unsuspecting world - to turn down Heinz and forsake the global food industry, even the promise of a job as agriculture minister didn't change O'Reilly's

But it's unlikely that he ever regrets his decision to devote his Société Générale de Belgique -

came to him.

It'll be interesting to see how SGB chatrman Viscount Etienne Davignon - a pipe-smoking, patrician former European Commissioner - copes with the new broom.

## Unholy row

conservative views didn't please

# Financial Times

## 100 years ago Trade With Central Asia

The Anglo-Indian press is somewhat exercised in mind over the barriers recently raised by Russia against trade with her Central Asiatic provinces. Special reports, too, published by the Indian Government and its deputies relative to trade with Persia and Chinese Turkestan convey an idea that competition, especially from Russian sources, is acting strongly against the development and even maintenance of export trade to these countries both on our part and on that of our Indian Dependency.

## 50 years ago Sabotage In France

The general atmosphere in France has become even more tense to-day after the train disaster at Arras caused by saboteurs, a series of other acts of sabotage on the railways and many clashes between strikers and the police. The Government has decided on new security measures, and is protecting the National Assembly and the Ministries against possible attacks by the use of strong forces of troops, so that parts of Paris looked this afternoon as though they were ready for a siege.

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# FINANCIAL TIMES

Thursday December 4 1997



# Russia will raise rates to support troubled economy

By Chrystia Freeland and John Thomhiti in Moscow

Russia's central bank will soon raise interest rates again in an effort to defend the rouble and calm the treasury bill market, Sargei Dubinin, the bank's

chairman, said yesterday. The rouble and Russian stocks rallied strongly on the central bank's piedge, which investors saw as a sign that the Kremlin had at last appreciated the severity of its finan-

But Russian politicians said the emergency measures would exact a high price by dashing the prospecte of robust economic growth next

The turmoil has already bitten deeply into the central bank's hard currency and gold reserves, which Mr Dubinin said vesterday stood at \$18bn. Central bank intervention in the currency and treasury bill markets has cut reserves by \$3.5bn since November 21.

Mr Dubinin said the central upheaval in world markets. bank, which had already Large amounts of foreign raised the Lombard rate to 36 per cent, was committed to a still tighter monetary policy to defend the rouble.

"We intend to raise the refi-nancing rate, but will do it after determining a balance on this is possibly a turning the securities market, and this will probably be based on the results of this week," Mr Dubinin said at an investor conference. "Perhaps we will need a

few days next week."

Mr Dubinin did not say how much he would push the refinancing rate, increased from 21 per cent to 28 last month. Commenting on Mr Dubi-nin's promise to raise rates,

Dirk Damrau, head of research at Renaissance Capital, a Moscow investment bank, said: "It is a sign that at last the central bank has awoken from its torpor

Foreign investors have criticised Moscow for being too

## Holocaust victims' gold may be mixed in bank pool

Tripartite Gold pool, which was set up to return gold looted from Europe's central banks during the second world war, may have come from victims of Nazi persecution.

Elan Steinberg, executive director of the UK World Jewish Congress, eaid yesterday that recently declassified US documents showed a substan-tial amount of victims gold had been mixed with gold from the reserves of looted central banks.

Lord Janner, chairman of the Holocaust Educational Trust, and several delegations at the Nazi gold conference in London vesterday called on the US, UK and France - the members of the Tripartite Gold Commission set up to oversee the return of looted central bank gold - to open TGC archives and eetile doubts about the gold's provenance. In the case of the Nether-

lands, 35.5 tonnes, or a quarter of the amount it claimed was looted, was "non-monetary" gold rather than "monetary" gold belonging to central banks, according to Mr Steinberg. Austrian non-monetary gold was 13 tonnes and the Belgian claim included 6.4 tonnes of non-monetary gold.

A recent report by Stuart this non-monetary gold, now being used to refill the coffers countries that had claims on

the gold pool. The UK said it was impossible to tell if non-monetary gold was mixed in the gold pool. However, it stressed that if small amount". UK officials played down the WJC's claim that up to one-sixth of the money claimed from the Tri-

to support French opposition to the opening of the archives was completed. In the past the work of the TGC has been delayed by quarrels between claimant countries.

A UK official said: "There is a real danger that if we were to release the information now, before the final distribution of gold, the effect would be to launch a debate among claimant countries which would delay the distribution of

# Car plant for France

Continued from Page 1

near Valenciennes, an old coal mining and metallurgical centre near the Belgian border in northern France, where unempioyment is about 20 per cent. Longwy in eastern France may also be in tha run-

The plant is expected to produce a small car, whose prototype was revealed in Frankfurt in September, to compete with the Renault Twingo and Ford Ka. A second phase may

donbie capacity by 2005. Government officials indicated the amount of public aid attached to the project would be less than 10 per cent of the overall investment. There are signs that the level of subsidy may spark controversy in

France and elsewhere. Louis Schweitzer, Renault's chairman, recently indicated that, while he did not dispute tha right of new market entrants to locate in France, it was "not self-evident that it makes sense to subsidise new capacity at the taxpayer's

Toyota has 0.8 per cent of the French market and wants to increase this. It does not expect the push to introduce a 35-hour working week to hit the cost competitiveness of manufacturing in France.

# Japan's economy GDP falls 1.4%

By Paul Abrahama and Michivo Nakamoto in Tokyo

Japan is in effect in recession, according to data released yesterday, which showed its gross domestic product contracting 1.4 per cent in the six months to September compared with the previous half-year.

mine its beleaguered banking system and put more pressure on the yen, adding to worries about another round of competitive currency devaluations. Most private-sector economists are predicting Japan's GDP will fall this financial year. The Economic Planning Agency admitted it would be 12 per cent. difficult for the economy to achieve its 1 per cent growth

The government is expected to produce a package this month aimed at boosting the economy, including more public money to secure the deposits of bank customers and cuts

# 'in recession' as

The continued deterioration will fuel fears that Japan's corporate sector could be hit by more bankruptcles. This would further under-

in corporate tax.

## of the losses when prices fell. slow to raise interest rates in Russian defence cuts, Page 2 the wake of recent financial

contract for two consecutive quarters - tha technical definition of recession - but analysts said this would have been almost impossible given the scale of the fall in the three months to the end of June.

The economy rebounded modestly in the three months to September, with GDP up 0.8 per cent on the April-June period, but the figure was below expectations. In April-June the economy contracted a revised 2.8 per cent.

money have flowed out of Russian debt and equity markets.

But Mr Damrau said yester-

day's moves signalled a

been reluctant to raise interest

rates earlier because it had spent billions of dollars inter-

vening in the treasury bill

market to allow big investors

to sell their positions without

Konstantin Korishchenko,

head of the central bank's

open market operations, said

the bank would allow the debt

market to find its own equilib-

rium. But some investors crit-

icised the bank for buying

back treasury bills from select

Russian banks, while allowing

foreign investors to bear most

large losses

Particularly worrying was a 1.3 per cent quarter-on-quarter decline in exports, until now one of the few bright spots. In the US last month, sales of Toyota, Japan's largest carmaker, dropped 10.1 per cent while Mitsubishi Motors' fell

Private housing investment fell 10.5 per cent in the three months to September. Private consumption, which accounts for 60 per cent of GDP, rose only 1.6 per cent.

Bank liquidity, Page 6 Samuel Brittan, Page 12 Yamaichi fall-out, Page 15

Until now the TGC has insisted it was involved only in

returning monetary gold. Eizenstat, US under-secretary of state, indicated that a small amount of "tainted" gold may have slipped into the gold pool. Jewish organisations claim worth \$500m-\$600m, should have been repaid to Holocaust survivors and others instead of of the central banks of the 15

there was any it partite gold pool was nonmonetary gold.

The UK found itself having before the work of the TGC

## urrency cures

The turmoil in Asian currency markets has prompted calls for increased regulation. Most of these emanate from Mahathir Mohamad, Malaysia's prime minister, but he is not alone. And his concerns are understandable enough: the abarp falls in emerging market currencie in recent months should worry any but the most complacent. The snag is that his diagnosis is off beam, while his suggested ramedies would

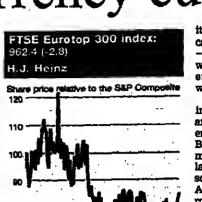
only aggravate matters. It is true that currency markets are the least regulated of financial markets, reflecting their wholesale nature. But the aim of regulation is to prevent abuse, and there is preclous little evidence that global currency markets are rigged. With daily turnover running at over \$1.2 trillion a day, it would be some achievement. As for the speculators Dr Mahathir loves to blame, they are the symptom, not the cause. They may be sharks in the water, but they only congregate when bad government policies provide a whiff

of blood. The fact is that disruptive price moves occur mainly in illiquid markets. And the best way of crimping liquidity is through the sort of heavy-handed controls in which the likes of Malaysia excel. When grad-ual adjustment is made difficult, the only alternative is uncomfortable step changes. Dr Mahathir's desire to avoid such inconveniences is understandable. The solution, though, is not stricter regulation but the encouragement of liquid

Measured over its full 18 years, Tony O'Reilly's tenure at Heinz has been an outstanding success. The US food group's market value has increased from \$900m to \$19bn over that period. But more recently it has become clear that the charismatic Irishman dominates Heinz's board of directors to an unhealthy degree, And this has been reflected in the shares' sharp underperformance since 1993, though they have picked up this year.

and transparent markets.

To his credit, Mr O'Reilly is stage managing his exit smoothly. The highly regarded William Johnson, who will succeed him as chief executive, was anointed as heir apparent two years ago. That does not mean Heinz's corporate governance deserves a clean bill of health. Mr O'Reilly will remain chairman until September 2000, and, though he is



THE LEX COLUMN

1990 91 92 93 to believe he will not be looking over Mr Johnson'e shoulder. Worse, Heinz sees no reason for a more general overhaul of the board, even though 10 of its 19 members are current or former Heinz employees and most of the so-called indepen-

dent directors are old friends of Mr O'Reilly. The worry is that this will slow the pace of change at Hainz. With annual earnings growing at around 10 per cent, the group is not doing badly. But it could sharpen its focus - Weight Watchers looks like a disposal candidate - cut costs more aggressively in Europe and expand further into emerging markets. The test for Mr Johnson will be to push such improvements through.

## Alitalia/KLM

Is Alitalia really such an attractiva partner for KLM? To judge from its frenetic attempts to beat Swissair and Air France for tha Italian group's hand, the Dutch carrier certainly thinks so. KLM, constrained at Schiphol, dasperately needs a second European hub to lift its passenger market share. This suits Alitalia, which needs immediate financial support to develop Milan's Malpensa airport. And there is an attraction of opposites; the Dutch airline has a small domestic base and a big international network, while Alitalia has the exact

But there are risks. Alitalia's lossmaking habits could contaminate KLM, one of the healthlest European carriers. The Italian group is still extremely inefficient. Given the European Commission's refusal to tolerate further bail-outs, Alitalia's

itself having to support the Italian carrier. And its domestic franchise - under threat from British Air ways and Lufthansa - is not as ettractive to partners as it once would have been.

Ge Al-Wales

Africa

Furthermore, including Alitalia in the KLM/Northwest Airlines alliance would not create a really pow erful force. The Star Alliance and Bajamerican Airlines would be much stronger on crucial transatlantic and Asian traffic. The best scenario for KLM would be if BA/ AA's tie-up foundered on regulatory rocks, allowing it to move in as the British carrier's partner. It should cut a deal with Alitalia only if that would strengthen its negotiating

## UK goodwill

Investors ehould walcome the Accounting Standards Board (ASB) ruling on goodwill. No longer able to write off goodwill on acquisitions - the difference between the price paid for a business and its net asset value - companies will finally have to acknowledge it on the balance sheet as capital employed. Writing goodwill off against reserves wa unsatisfactory and out of line with international practice. It overstated returns on investments and gave the erroneous impression that the buyer's net worth had been depieted, rendering the balance sheet meaningless.

With managers now accountable for all the costs of buying a business, it will be easier to spot those who overpay. Furtharmore, the requirement to amortisa should help speed the move away from justifying deals in terms of earnings per share enhancement. The new standard should facilitate scrutiny of whether acquisitions really cre-

ate value for shareholdars. The ASB's innovation - allowing companies to avoid amortising goodwill and other intangible assets altogether if they can prove in an annual impairment review that it has not been dissipated - could well become the international standard. Clearly some assets, such as the Coca-Cola or Johnny Walker brands, have extremely long economic lives and should not be amortised over the normal 20 years. But in allowing companies this free dom, the ASB must insist they do actually write down their assets if they lose their glitter.

Additional Lex comment

September 24

## **CONTRACTS & TENDERS**

# Invest in Romania!

Advertising release for sale of shares by direct negotiation The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Resetti Street, sector 2, is offering for sale by direct negotiation s 51% of the Issued share capital of SEMANATOAREA SA.

- Registered Office: Bucureşti, Splanti Independentei, nr. 319, sector 6
- Fiscal Code: 432984 Registration no. at Commercial Register Office: 140/1054/1991.
- issued stock capital, according to the latest records
- at the Commercial Register Office: 73,337,900 thousand, ROL Turnover in 1996: 39,863,631 thousand, ROL
- Net profit in 1996: 2,804,440 thousand ROL Main scope of activity: machinery and agricultural tools products

Total number of shares at a nominal value of 25,000 ROL each: 3,013,516. The share ownership structure is as follows:

> O. State Ownership Fund 56.70 O Financial Investment Company Munteria Share owners through mass privatization 43.29 O Shares assigned to the manager 0.01

The offer for the 51% issued share capital, i.e. 1,536,893 shares is 273,453,540 thousand ROL for Romanian investors, or 38,886,466 USD for foreign investors.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOFRDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, București, Str. STAVROPOLEOS, pr.6. phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs, at a price of 1,600 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-00000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for SEMANATOAREA SA Bucharest are included in the company PRESENTATION FILE

THE PRESENTATION FILE will be released on presentation of O a copy of the payment order for the presentation file: didentity card (or passport for foreign citizens); O certificate from the bidding company.

ste in the negotiations, bidders are required to present evidence of patting at the Seller's disposal a guarantee of a participation i.e. 8,203,600 thousand ROE or 1,166,593.9 USD as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, to account no. 4001680900313 at the Romanian citizens or legal emities; foreign citizens or legal entities may very cash, to the State Ownership Fund, to account no. 5314-0000024230007. in USD, at the Romanian Bank for Foreign Thate (BANCOREX): alternatively the bidders may instruct the bank where they hold their account to release an ancombinous hand

Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, rebladed in Mouther Oficial to 11/25 05 1977 to the State Ownership Fund, Office Division at the show mentioned address, in a scaled envelope, prior to 30 Jan, 1998, 16,000rs. (from deadline for submission).

## IMF in \$55bn rescue package for Seoul tional effort exceeds the scope eastern Europa and Letin

Continued from Page 1

provide \$20bn in support if \$10bn and the US \$5bn. Other donors could include the UK, Germany, France, Canada and Australia. The UK wili contribute up to \$1.25bn. The interna-

**Europe today** 

to have the worst of the showers

cloudy and bleak with flurries of

anow, heaviest across the Alps.

Scandinavia will also be very cold with snow showers, but southern

areas should see some spells of

Mediterranean. The central and eastern Mediterranean will remain

wintry sunshine.

and some thunder.

Five-day forecast

with thunderstorms possible. Portugal and central Spain should

stay mainly dry and bright. Meanwhile, central, northern and eastern Europe will stay very cold and wintry. The area from ea

Korea's crisis might threaten financial links with Japan and emerging markets in Asia, released, probably today.

of recent bail-outs to Mexico, America. Indonesia and Thailand, Althou required, with Japan pledging reflecting concerns that financial markets are expected

FT WEATHER GUIDE

Although international

to be initially relieved by the global economic stability IMF rescue, they will closely because of the country's close ecrutinise the details of the conditions once they are

Much of the Mediterranean will be longer spells of rain. Greece is likely High pressure will bring warmer and more settled weather to the western unsettled with further spells of rain

Central and eastern Europe will stay very cold, but the threat of snow will recede. Scandinavia will have a thaw

Dy Michael	у,		
TODAY'S	EMPERAT	PES	
Abu Dhabi Accra Algers Amsterdam Athens Atlenta B. Aires	Maximum Celaius Sun 27 Sun 32 Shower 17 Febr 4 Shower 18 Sun 15 Sun 22	Beiling Beifast Beigrade Berninda Berninda Bogota Bombay Brussels Budapest	ון דו

Lufthansa

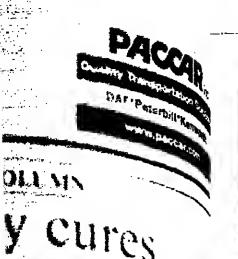
Sun 5 Feir 4 Rain 9 Sleet 2 Sun 24 Inunder 33 Fair 3 Shower 3 Cardiff
Casabian
Chicago
Cologne
Dakor
Dailas
Delhi
Dubal
Dublin
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**美国集体制** 

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# **COMPANIES & MARKETS**

OTHE FINANCIAL TIMES LIMITED 1997

Thursday December 4 1997

Week 49

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INSIDE

## **Prince Al-Waleed** eyes up Africa



During the recent falls in world markets Prince Al-Waleed of Saudi Arabia, perhaps ona of the world's most successful bargainhunters, drew on a cash reserve of, he says, \$3bn, and went on a buying spree. After e recent tour of 13

where 30 diverse projects are being considered, he seems set to invest more in the continent. Page 21

Daihatsu pursues feline appeal



A car decorated with a cartoon cat is being launched by Dalhatsu, the maker of minivehicles, to attract female buyers. A special version of the Mira Moderno model will feature images of 'Hello Kitty', a cat with a red ribbon. The mas-

cot has been one of Japan's best selling characters since its introduction by Sanrio, e toymaker, in 1974. Page 18

Networking sector in crossed lines The networking equipment sector, which has grown as inexorably as the internet, seems to have its lines crossed. 3Com and Cabletron, two of the top five networking companies, gave profit warnings on Monday. But it would be too easy to say the industry is past its peak. Page 16

16 Heinz

18 KLM

16 Merck

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National Grid

16 Netscape

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15 Hongkong Telecom

20 Israeli Control Cen.

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Companies in this lasue

3Com **AEW Partners AST Research** Air France Alitalia Alilenz Ambroveneto Ascend Bankers Trust lot. Barrick Gold

14, 20 MEPC 20 MTNL 21 Morris Ashby 21 Motorola 15 NBM-Ametelland 22, 32 NIE Strating 18 NTT **Bay Networks** Blo Avenir Blogen Boeing Brunswick Cptl Mgmnt 28 CNAC CS First Boston Cabletron Systems

Cataguazes Cisco Systems Coface Continental Aidines Crédit Lyonnels Daawoo Daihatsu

Degusea Eli Acquitaine Energipe Finance One Fitch IBCA

Gestion **Great Universe** H.J. Heinz Hambros

EMS currency rates

Fixed interest indices

FTSE Gold Mines Index

P&O Pacific Link Polska Telecoms **PolyGram** Proton Quebecor **RJB Mining** Reuters Holdings Royal Bank of Canada **Ployal Dutch/Shell** SE-Banken 21 SMH 16 Sameung 20 Sivensa 8 Suez-Lyonnaise 21 Swedbank 18 Swiss Air 22 Thames Water 15 Toyota 26 TrizecHahn e Trustor 20 United News & Media

Gen Banque de Belgium 15 United Utilities 20 VCI 20 Veba 32 Watmouchs 32 WestLB 21 Windward Capital 18 Yamalchi Securities

15 Yussa **Market Statistics** http://www.FT.com 30,31 FTSE Actuaries share indices 32 Annual reports service Foreign exchange Benchmark Govt bonds Band futures and option London share service Bond prices and yields Commodities prices Managed funds service Dividends announced, UK 22 Money markets

Short-term int rates

32 US Interest rates

CROSSWORD, Page 26

Chief price changes yesterday Sciectron Total Sys Sucs

# Yamaichi clients pull out \$93bn

In one of the bisgest runs ever seen in Japan, investors have withdrawn securities worth Y12,000hn (\$93,2bn) from Yamaichi Securities, which collapsed late last month,

from Japan's fourth-largest broker, which emerged yesterdey, could make it much harder to find a buyer for Yamaichi's domestic operations. Customer assets have fallen to Y11,391bn from Y23,960bn in early October.

The scale of the withdrawals

One western banker, who had previously considered collaborating with the group, said: "This shows Yamaichi is

Canadian

developer

Chicago

in Toronto

takes over

skyscraper

TrizecHahn, the Canadian

property company, bas acquired effective ownership

of the Sears Tower in Chicago

by taking over a second mort-

gage on the building at a dis-

The company, the property vehicle of Peter Munk, who

built Barrick Gold into one of

the world's largest gold pro-

ducers, will also assume a

first mortgage obligation of

\$734m and buy an adjaceut

TrizecHahn, which took con-

trol of the 110-storey tower

from AEW Partners, will not

have titular ownership, for

tax purposes. But it will take

est building.

replacement cost.

parking garage for \$40m.

count price of US\$70m.

think the chances of e buyer now are low."

However, Philip Dunne, managing director of DLJ Phoenix, the corporate adviser managing the sale, insisted a sale was still possible. "Wa anticipate that should a quality foreign or domestic firm pick up a substantial portion of the business, there would be a good prospect of customers

returning to the group."

DLJ Phoenix is conducting discussions in Tokyo with potential buyers, including yesterday said his group was

no deals have emerged so far. Credit Suisse First Boston, the Swiss investment bank, yesterday refused to comment

interested in part of the group. "We are not denying or confirming this," it said. involved in the process have also soggested that Morgan Stanley, the US investment bank, might be interested.

Some observers closely However, Thierry Porté, head of Morgan Stanley in Japan,

a very damaged franchise. I western investment banks but not "actively" seeking to pur-

chase Yamaichi. Nevertheless, the US investment bank has decided to provide prices for foreign bonds, on market rumours that it was such as dual currency instruments, that Yamaichi underwrote as lead manager. The move is intended to help the broker smoothly transfer its business, added Mr Portė. "We

would encourage other foreign firms to do the same." he said. Other institutions, such as Yasuda Trust Bank, are also facing a flood of customer withdrawals amid rising public

Run on assets could hinder broker's sale Japan's banks and brokers. Government officials insist

these withdrawals do not pose e serious threat to other groups. However, the events have triggered a sharp rise in the number of applications to open accounts at foreign financial institutions and at stronger Japanese banks, such as

the country's largest. Customer deposits at BTM rose by Y450bn - or about 3 per cent - last month alone, i has emerged Sumitomo and Sanwa banks have also seen sharp rises.

Asian model R.I.P., Page 12



Acquiring hundreds of films, such as When Harry met Sally, from Crédit Lyonnais will treble PolyGram's film catalogue

# PolyGram agrees movie deals

By Alice Rawsthorn in London

over property management and leasing et what until PolyGram, the Dutch enterrecently was the world's tallterms to acquire The Gradu. Hollywood movie studios. TrizecHahn said the deal ate, Blue Velvet, When Harry gave it control of the tower at 15 a 50 per cent discount to the Crédit Lyonnais, the troubled French bank, for \$225m.
It has also clinched a pro-

The Sears Tower may be well-known, but it bas brought little in the way of duction deal with Ridley and financial prestige in the recent Tony Scott, the British past. Though it is 91 per cent brothers who have directed a occupied, rents are about 40 string of Hollywood hits per cent below market prices including Blade Runner, Thelma and Louise and Crimas many leases were signed when the local market was in son Tide. The Scotts will supply up to 15 films for Poly-The expiry of leases over the Gram over three years.

next few years offers the company "exceptional potential" in an improving office market, said Casey Wold, president of TrizecHalm Office Properties. As with past acquisitions, the Sears Tower transaction will allow the company to improve returns through aggressive

property management.

The deal is the latest in a serias of acquisitions by TrizecHahn totalling \$1.4bn this year. It takes the company e step closer to its goal of becoming a leading global property firm.

TrizecHahn expecte to invest an additional \$1bn-\$2bn in acquisitions and development projects in 1998. The Chrysler Building in New York could be the company's next acquisition. However, some industry analysis suggest the US property market may be close to peaking.

The company is expected to begin constructing office buildings in Toronto and Calgary in the next few months and it has several shopping centre and entertainment development projects planned in the US.

Mr Munk said ha was looking for joint-venture part-ners with whom to acquire or develop mixed use, office and entertainment projects in east Asia and South America. TrizecHahn was formed late

last year when Horsham, Mr Munk's cash-rich holding company, merged with under-funded developer Trizec.



Sheryl Crow on its roster, has year-old attempt to establish a some of the bank's assets. tainment group, has agreed European-owned rival to the

met Sally and hundreds of cesaes such as Bean, Faryo Philips, the Dutch consumer strong film catalogue. The support the plan because it other films which belonged to and Four Weddings and a Funeral, PolyGram's film subsidiary is still lossmaking. The acquisition of the Credit Lyon. nais library and the Scott deal is an important step following the group's unsuccessful bid for MGM-UA, the US movie studio, last year.

The Crédit Lyonnais library, including 1,051 pictures that cluded shortly. came into its possession during an ill-fated foray into Hol-PolyGram, one of the world's lywood in the early 1990s, was largest record companies with put up for sale in August by acts such as U2, Hanson and Consortium de Réalisation, an

invested nearly \$900m in a six- French government to sell early next year, subject to the Film catalogues come on the US governments.

market so rarely that Polyelectronics concern, faced stiff competition from rival bidders. including Walt Disney and 20th Century Fox.

The only other substantial film library currently available is that of Ciby 2000, the film company owned by Bouygues, the French construction group. The Ciby sale should be con-

PolyGram, advised by Bannon & Co, the Beverley Hillsbased associate of Société Générale, the French banking group, expects to conclude the

organisation formed by the Crédit Lyonnais library deal

The acquisition will treble Gram, 75 per cent owned by the size of PolyGram's 500group has long been anxious to augment its film library to exploit the market for selling film rights to broadcasters.

PolyGram has also been trying to increase its film production capacity to supply its distribution network.

The agreement with the

Scotts gives PolyGram "first look" rights to the four or five films made each year by Scott Free, the brothers' production company.

## Late bid by WestLB for suspended Thai bank

By Ted Bardacke in Bangkok

Westdeutsche Landesbank, Germany's biggest public sec-tor bank, is making a last minute attempt to take over Finance One, Thailand's largest suspended finance company, which may be liquidated by the Thai government next

Monday. The WestLB bid is a esponse by senior creditors to a plan to take over Finance One presented last wook by CS First Boston. This would have seen CS First Boston get its credits to Finance One repaid before other creditors.

That authorities are scheduled to announce the fete of 58 suspended finance companies on December 8 and have reportedly already decided which ones will be allowed to reopen, based on rehabilitation plans submitted five weeks ego. Bankers said they had been assured by finance ministry officials that the WestLB plan would be considered, partly because it was backed by the International Finance Corporetion, the privete investment arm of the World

The new plan involves a 550m investment in Finance One by WestLB, with a further \$50m available on a standby basis from seuior creditors. WestLB will bring in \$21m in new investment and \$20m of conversion of debt into equity. Other senior creditors would convert an additional Bt5.7bn (\$136.5m) of debt into equity. The plan also assumes that Thailand's central bank, with up to Bt50bn in outstanding

loans to Finance One, would end up with a 33 per cent stake in the company by converting debt into equity. The central bank has yet to say whether it is prepared to swap debt into equity at any of

the suspended companies. But WestLB and other bankers said the central bank should would bring in a credible for-eign partner with new capital to reopen the company and creditors equivalent to 60 per cent of the net present value of their outstanding loans to Finance One. Bankers said the CS First

Bostou plan would see creditors recover only 20-40 per cent although the Swiss-US bank would recover more by repaying Finance One's eurobonds, half of which are thought to be Rescue plan delay, Page 3 owned by CS First Boston.

# Hambros close to selling corporate lending operation

By George Graham In London

Hambros, the investment banking group, is close to an agreement on the sale of its corporate lending activities with Générale de Banque of

But discussions with other banks could lead to the sale of a larger part of the Hambros banking business.

Hambros, which recently appointed Schroders to advise it on how to improve its performance, yesterday confirmed it was in discussions with several companies.

"A number of companies bave expressed interest in acquiring part or all of the activities of Hambros Bank."

The company said yesterday the discussions did not involve Hambro Countrywide, Hambro Insurance Services, the private equity investment business, or Guinness Flight Hambro Asset Management, There was "no consideration of a potential

offer for Hambros plc". Générale de Banque said yesterday its talks were still at a preliminary stage and only concerned a small part of Hambros' activities.

But other banks, thought to include Royal Bank of Canada, Invested Holdings of South Africa and Société Générale of France, are also understood to be interested in larger portions of the business.

Besides the units which it said were specifically excluded from any discussions, Hambros includes private Finance Initiative,

Perhaps most attractive to other investment banks is a successful bond business with specialities in Australian and New Zealand dollars and South African rand. Getting rld of the £980m

(\$1.5bn) corporate loan book would be unlikely to make Hambros a profit, but the removel of overheads and release of capital would go a long way towards addressing its profitability problems.

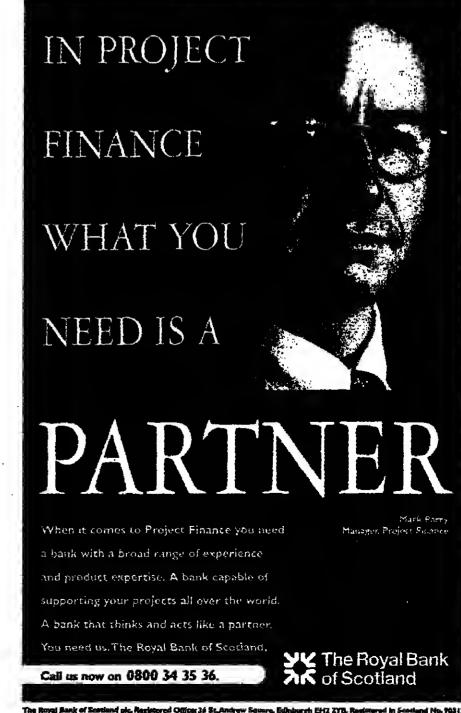
The banking group cut staff from 1,930 two years ago to 1,413 today, but is still dogged by a cost basa which soma analysts estimate to be about £30m a year too heavy to allow any reasonable return.

Depending on the precise terms of any deal, it could leave Hambros with e more narrowly focused investment banking business capable of making an adequate return on capital. But the group has come

under intense pressure from large institutional investors to improve its performance. They will be hard to convince that a limited disposal goes far

Générale de Banque has been expanding in the UK, targeting UK companies with the argument that they will need e truly European bank once the euro has been introduced. Adding Hambros' corporate lending business would give it a relatively quick route to expansion.

Hambros' statement was released just before the stock market closed in London, and banking, corporate finance and its ahars price, which had a unit focusing on the Private risen sharply on Tuesday. closed 1%p lower at 267p,



## Biogen in \$130m pact with Merck

Biogen, one of the largest US biotechnology companies, has announced a \$130m collaboration with Merck, the US pharmaceuticals group. The deal gives Merck worldwide marketing rights to a promising new compound for . asthma drugs, and Biogen will develop the same compound for use in the treatment of multiple sclerosis. Biogen will receive "escalating double-digit royalties" on any

product Merck brings to market using the technology. The deal is a boost for Biogen. It collects about \$150m; year in royalty payments for products discovered in the early 1980s, but that revenue stream will slow as patents begin to expire in 2000. Merck will launch clinical trials for the compound next year, and Biogen hopes to begin clinical trials for multiple sclerosis in 1999.

Biogen will receive \$15m up-front, with the remainder of the sum paid as the company reaches pre-set scientific Victoria Griffith, Boston

## STEEL

## Sivensa posts 30.8% decline

Siderurgica Venezolana, the Venezuelan steelmaker. posted a net profit of \$37.8m for the year ended September 30, down 30.8 per cent from the previous year. Net sales were \$758m, up 16.3 per cent from 1996. Sivensa also reported an operating profit of \$75.5m, up 103 per cent. No fourth-quarter figures were provided.

Sivensa is the country's largest private sector exporter, selling raw materials, semi-finished and finished products to the steel, construction, automotive, agriculture and petroleum industries AP-DJ. Caracas

## ■ CANADA

## Royal Bank lifts dividend

Royal Bank of Canada has boosted its quarterly common share dividend to 42 Canadian cents a share from 39 cents. The bank said it benefited from a strong Canadian economy and healthy capital markets in the latest fiscal year. It had solid growth in personal and small husiness lending, and good performance from fee-based businesses such as mutual funds, global private banking, securities custody, investment management, retail brokerage, and investment banking and trading. The bank also said it had gained market share in mortgages, personal loans AP-DJ, Toronto

## ■ THRIFTS

## Earnings slip in third quarter

Third-quarter earnings of US thrifts - non-bank institutions that receive deposits and make loans - fell 20 per cent from the levels recorded in the second quarter. The decline was mostly the result of one-time charges from three large industry mergers, the Office of Thrift Supervi-

The 1,238 thrifts regulated by the OTS earned \$1.35bn in the third quarter, down from \$1.69bn in the previous three months, Earnings in the third quarter of 1996 totalled \$1.58bn, excluding a one-time charge to recapitalise their deposit insurance fund.

Return on assets, a key measure of profitability, fell to 0.71 per cent in the third quarter from 0.89 per cent in the preceding period. The fall also was related to the acquisition charges, the OTS said. AP-DJ. Washington, DC

## Energipe sold at 97% premium 1,120 staff

as market share falls

with the sale of Energipe, a distributor in the north-eastern state of Sergipe, for R\$577.1m (US\$520m), a pre-A US computer making division of Samsung, one of minimum price of R\$292.3m. South Korea's troubled con-The buyer is Cataguazesglomeretes, is to make redundant 1,120 employees and abandon many of its

Leopoldina, a family-con- many weeks. The sales have vatisation to reach \$45bn by trolled distributor operating attracted large premiums, in the states of Minas Gerais and Rio de Janeiro. Antônio Previtali, financial director, said the company was in vestment and inefficiency.

AST Research, which Samsung purchased in April for about \$170m, was once regarded as a challenger to Compaq in the personal computer business. However, the company's

US market share has fallen from 3.9 per cent in 1994 to 2.4 per cent in 1996, according to Dataquest - despite pioneering the PC coefing less than \$1,000. AST, which made its name

**AST cuts** 

in San Francisco

in the retail computer market, said it would limit its activities to specific regional markets and customers such as small businesses.

"Looking squarely at our recent performance in the context of the competitive iandscape for PCs, our long-term goal can no longer be simply to sell more PCs to more customers," said S.T. Kim, chief execu-Analysts said economic

turmoil in South-Rast Asia was likely to have diminished Samsung's capacity to prop np AST, which reported a \$170m loss in the last quarter before Samsung acquired the shares it did not already own.

The devaluation of the South Korean currency and the bankruptcy of some of ths country's leading congiomerates has had no direct bearing on AST's redundancies, where staff numbers are set to fall 37 per cent.

But the company has been hit by the decline in margins to the PC manufacturing industry, and the most efficient producers have gained market share at the expense of smaller competitors. The industry is increasingly dominated by Dell. Compag Computer, International Business Machines

## talks with CMS of Michigan about a possible partnership. "We didn't reach agree-

The fast-moving privatment before the sale, but isation of Brazil's electricity industry advanced yesterday say they are still interested," Mr Previtali said, adding the price paid reflected estimates of potential earnings from e growing market and mium of 97 per cent to the room for cost savines. Energipe is the sixth dis-

tributor to be sold in as underlining the potential for growth in an industry which has suffered from underin- the Brazilian market," said

electricity distributor in the state of Mato Grosso, was sold for R\$391.5m to a conthey called us afterwards to sortium led by Grupo Rede, a Brazilian utility. The premium paid was 21 per cent above the minimum price.

December 12 with Cosern, a distributor in Rio Grande do Norte. Analysts expect total revenues from electricity prithe end of the decade. "These are once-in-a-life-

time opportunities to enter

Morgan Grenfell in São

Recent sales, which have taken place against a back-chase would almost triple its ground of falling share electricity sales. prices and turnoil on financial markets, showed investors were taking e long-term it will follow a string of for-The sales continue on view of Brazil's potential eign utilities which have Nevertheless, Mr Dutra entered the Brazilian mar-

hid was "not justified" by including Chilectra of Chile Energipe's earnings poten- and Endesa of Spain bought tial and reflected the buyer's Cerj in Rio state; and Electridetermination to win the cité de France, Houston auction after its unsuccessful bid for Cemar.

Emanuel Dutra at Deutsche, a small company that needs Rio distributor.

increasingly competitive market," be said. The pur-

If CMS reaches agreement with Cataguazes-Leopoldina said Cataguazes-Leopoldina's ket Last year, a consortium Power and AES of the US took part in a consortium "Cataguazes-Leopoldina is that bought Light, another

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# Convergence heralds crossed lines

## Mixed results from network equipment groups as vertical integration looms

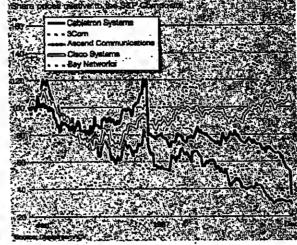
ment industry, which has until recently grown as inexorably as the internet itself, appears to - - 3Com have got its lines crossed. Cisco Systems Dashing market expecta-

tions, 3Com and Cabletron Systems, two of the leading five networking companies, made profit warnings on Monday. 3Com said that in the quarter just ended it would show only a slight profit. Cabletron projected 8-12 cents of earnings per shars compared with 39 cents forecast on average by investment analysts polled by First Call.

Even before Monday's announcement 3Com was down 56 per cent from its year high and by yesterday midday was off 60 per cent; Cabletron, although 66 per cent down, has performed better than Ascend Communications, another manufacturer, which has plunged 70 per cent from its peak.

But it would be too easy to conclude that the industry, which has in the past five years typically enjoyed revenue growth rates of 30-50 per cent as companies and carriers have built data networks, is past its peak.

Most of the reasons for the are specific to the companies. "I don't think that other domestic markets. there is a common theme,' says Paul Johnson, networking analyst with BancAmer- has noted slowing interna- is the only real threat," says cute. For instance, 3Com's



ica Robertson Stephens 3Com blames the lack of an internationally accepted capable of transmitting data over ordinary telephone lines at 56,000 hits per second. Its main problem was excess inventory, the slimming of which by three to five weeks worth of production, has depressed reported

Cablstron cites delays in earnings disappointments US federal government orders and weakness in

revenues in the quarter just

The final set of excuses comes from Ascend, which

tional demand, and deals between providers of internet service, resulting in a rationalisation of orders.

The notion of some industry-wide malaise is undermined by the performance of Cisco Systems, by far ths largest company in the sector with a market capitalisation of \$59bm, and Bay Networks.

Cisco, which leads in providing the routers which direct traffic over corporate networks, has consistently exceeded expectations. Its shares, up 91 per cent since May, are close to their all-time high. "Complacency have been difficult to exe-

Mr Johnson, And Bay, although its share price is 34 per cent below its peak, has won rave reviews for a new device which by some measures directs traffic more rapidly than Cisco's flagship.

espite these varying fortunes, there are some common factors which help explain the recent disappointments to investors in the sector.

"Although companies don't like to give one supplier the control that Microsoft, for instance, has in other sectors, there is a tendency for them to buy from fewer suppliers," says David House, chief executive of Ray Networks.

That has encouraged vendors, largely through acquisitions, to broaden their. product range, to offer a onestop shop for networking

Thus 3Com acquired US Robotics and Ascend bought Cascade Communications earlier this year. Deals such as these have brought the larger networking companies, which earlier specialised in particular equipment such as network the recent twinges in interface cards or routers, into more direct competition with each other.

As well as prompting price cuts, these combinations

different inventory systems in place at the parent company and the US Rohotics business it acquired.

Moreover, as the personal computer, telecommunications and networking industries converge, new competitors have emerged. One example is Intel, the computer chip maker, which has branched out into network

interface cards. Nevertheless, the spate of recent deals, however destabilising in the short run, will create companies better able to compete in this enlarged market, selling not just to husinesses hnt to the telecom carriers and consumers that respectively provide

"It is not the fact that the future of the networking industry is darker than we thought," says Eric Benhamou, chief executive of 3Com. "What is happening is a transition from a high-end. well-understood enterprise market to a much broader merket. We are going from a \$15bn-a-year industry to a \$50bn-a-year industry."

In so far as that is true. networking stocks are - like the occasional blackouts on the internet and the America Online network - growing

**Nicholas Denton** 

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Bunge Finance Limited, a corporation organized and existing under the laws of Bermuda (the "Purchaser"), is allering, upon the terms and subject to the conditions set forth in the Offer to Purchase and Consent and Proxy Solicitation Statement dated December 1, 1997 (as each may be extended or amended, the "Offer to Purchaser") and forth in the Offer to Purchase and Content and Proxy Solicitation Satement deard December 1, 1997 (as each may be extended or amended, the "Offer to Purchase") and in the Content and Proxy and Letter of Transmitted (the "Letter of Transmitted" and, together with the Offer to Purchase, the "Offers"), to purchase for cash any and all of the custanding 10 56%. Notes due 2004 and 11 16% Notes due 2004 (collectively, the "Notes,") of Cavel Atmentics S.A. ("Cover"), a company organized with thritical liability under the laws of the Federative Republic of Brazil. Simultaneously with the Offers, the Purchaser and Coval are (i) soliciting consents (the "Consents") from the registered holders of Notes ("Holders") to certain amendments to the Notes and to the Indenture, dated as of July 11, 1995, as supplemented and amended by the Find Supplemental Indenture dated as of September 25, 1996 (the "Indenture"), by and among Coval Overseas, Ltd., Coval, Yasuda Bank and Trust Company (U.S.A.), as Trustee, and others, governing the issue of the Notes, which amendments include a waiver of existing detauts and Events of Default and modifications to the coverants (the "Proposed Amendments") from Holders of Notes for use at the Special Meeting of Holders of the Notes to be held at the offices of Garders & James LLP, 685 Titled Avenue (24th Rooz), New York, New York, Tod2c, on January 5, 1998 at 4.20 pure, New York City time, or any adjournment or postporterment or such meeting the Solicitation of Consents and Events in the Letter of Transmitter and the offices of sectors. or any adjournment or postponement or such meeting (the "Special Meeting"). The Consent and Proxy is included in the Letter of Transmittel, and the edicitation of Consents and Proxes is hereinafter referred to as the "Solicitations."

The Total Consideration for each \$1,000 principal amount of Notes tendered and accepted for payment pursuant to the Offers shall be calculated in the menner described in Schedule I to the Otter to Purchase, intended to result in a yield to the Call Date (as described below), of each leave of Notes equal to the sum of (i) the yield to materially of the applicable United States Treasury Security (each such security, the "Reference Security"), as calculated by the Dester Managers in accordance with standard market practice based on the bid side price for each such Reference Security"), as of 1200 moon, New York City time, on the second business day preceding the Expiration Date (as defined below) as displayed on the Bloomberg Government Princip Monitor, pages PXS and PXS (the "Quotation Report") or any recognized quotation source selected by the Dester Managers in their discretion if the Quotation Report is not aveilable or is mentioned by destroyed, and (ii) the applicable fleet of such to the local price of the local price o specified below for such Note (such price being rounded to the nearest cent per \$1,000 principal amount of Notes). The "fotal Consideration minus the consent payment equal to \$20.00 for each \$1,000 principal amount of the Notes (the "Consent Payment") for each issue is referred to as the "Render Offer Consideration".

in no event will the Total Consideration be less than \$1,000 per \$1,000 principal amount of Notes tandered and accepted for payment pursuant to the Otters, plus the Consent Payment, in addition, Holders whose Notes are validly tendered and accepted for payment will receive interest thereon from the most recent payment of sum-interest proceding the Settlement Date (as defined below) to, but excluding the Settlement Date, upon the terms and subject to the conditions described in the Otter to Puschese. Holders who validly tender then Notes and their Consents and Process pursuant to the Otters prior to the Consent Date (as defined below) will receive the Total Conditions who validly tender their Notes and Process after the Consent Date and prior to the Consent Date will receive the Total Consentson, Holders who validly tender their Notes and Process after the Consent Date and prior to the Expiration Date will receive the Tender Otter Conditionation, but will not receive the Consent Payment for any such Note will be made in immediately available (same-day) funds on the third New York Stock Exchange treating day following the Expiration Date for the Otters (the "Settlement Date").

CUSIP No.	Outstanding Aggregate Principal Amount	Security Description	Cell Date	Call Price	Reference Security	Flood Spread
15720RAB3	\$98,000,000	10 5/8% Notes due 2004	12/30/01	\$999.25	6 1/8% Note due 12/31/01	4,10%
MM1241502	\$2,000,000	10 5/8% Notes due 2004	12/30/01	\$999.25	6 1/8% Note due 12/31/01	4.10%
15720RAA5	\$85,450,000	11 1/8° Notes due 2004	10/01/01	\$992.50	6 3/5% Note due 9/30/01	4.10%
15720QAA7	\$14,550,000	11 1/8% Notes due 2004	19/01/01	\$982.50	6 3/8% Note due 9/30/01	4.10%

THE OFFERS WILL EXPIRE AT 12:00 NOON, NEW YORK CITY TIME, ON WEDNESDAY, DECEMBER 31, 1997. UNLESS EXTENDED OR EARLIER TERMINATED (THE "EXPIRATION DATE"). THE CONSENT DATE FOR EACH ISSUE OF THE NOTES IS 5:00 P.M., NEW YORK CITY TIME, ON FRIDAY, DECEMBER 12, 1997 OR SUCH LATER DATE TO WHICH IT MAY BE EXTENDED (THE "CONSENT DATE").

SUCH LATER DATE TO WHICH IT MAY BE EXTENDED (THE "CONSENT DATE").

Tendered Notes may be withdrawn and Consents and Proxes may be revoked at any time at or prior to the Consent Date, but not thereafter (except under certain limited circumstances described more fully in the Otier to Purchase). Holders of Notes who tender such Notes for payment pursuant to the Otiers will be required, as a condition to a valid tender, to have delivered their Consent to and Proxy to vote in few or of the Proposed Amendments and execution of a Supplemental Indianture. If a Holder's Notes are not properly tendered pursuant to the Otiers poor to the Consent Date, or such Holder's Consent and Proxy either is not properly delivered, or are revoked and not properly redelivered, prior to the Consent Date, such Holder will not receive the Consent Payment, even though the Proposed Amendments will be effective as to all Notes. Notes which period and the Otiers or the Solicitations, including the Purchaser's right to extend, emend or terminate the Otiers, at any time, in its sole discretion, subject to applicable law, the Purchaser will not be required to accept for payment, or pay for, Notes validly bendered pursuant to the Otiers if the following out may be discretion and the otier to purchase following receipt of Consents to the Proposed Amendments indenture implementing the Proposed Amendments in the manner set forth in the Otier to Purchase following receipt of Provides to the Proposed Amendments from Holders of a majority in aggregate principal amount of the outstanding Notes or (ii) the execution by the Trustso of a Supplemental indenture implementing in the manner ast forth in the Otier to Purchase following receipt of Provides to the Proposed Amendments from Holders of a majority in aggregate principal amount of the outstanding Notes or (iii) the Solicitations.

The information Agent for the Offers is: GEORGESON & COMPANY INC.

Wall Street Plaza, 30th Floor New York, NY 10005

Banks and Brokers and persons outside the U.S. and Ceneda call collect: (212) 440-9800 All others call toll-free: (800) 223-2064

The Dealer Managers for the Offers and the Solicitation Agents for the Solicit CHASE MANHATTAN INTERNATIONAL LIMITED

270 Park Avenue New York, New York 10017 (830) 303-9202 (tc5-froe) (212) 479-2195 (collect

CITICORP SECURITIES, INC. 399 Park Avenue New York, New York 10043 (212) 291-01267 (coloci)

## Heinz surges as O'Reilly quits more action-oriented," Mr

By Richard Tomidns In New York

Shares in H. J. Heinz, the US food company, surged \$1%, or 3 per cent, to a record high of \$54% in early trading little new blood." yesterdey as Wall Street digested the implications of Tony O'Reilly's decision to step down as chief executive. 6 \$1% rise the previous day. Late on Tuesday, Heinz announced Mr O'Reilly, 61, would be succeeded by William Johnson, 48, the company's president and chief operating officer, at the end of the fiscal year next April.

Mr O'Reilly will remain nonexecutive chairman until September 2000. Yesterdey, Bear Stearns, the Wall Street securities house, npgraded Heinz to "buy" as industry-watchers speculated Mr Johnson would move more aggres-

sively to cnt costs and Terry Bivens, a Bear Johnson was "an extremely aggressive and results-oriented" executive with a reputation for having turned Heinz's StarKist tuna and best performing businesses.
"I think he will be much

Bivens said. "Tony O'Reilly has obviously had a wonderful run, and he's a great fellow, but I think everybody realised it was time for a Mr Bivens said yesterday's

increase in Heinz's stock

price, which came oo top of

also reflected the elimination of worries that Mr Johnson would leave if Mr O'Reilly waited too long to hand over control. Last year, David Scully, long regarded a potential successor to Mr O'Reilly, left the company after 22 years

to become e principal of Bleckburn, e New York investment firm Mr O'Reilly, a former rugby star with a reputation as a larger-than-life figure, was unevailable for com ment yesterday because he

was on his way to London to

be inducted into a newly cre-Sterns analyst, said Mr ated International Rugby Hall of Fame. He has been Heinz's chief executive for 18 years, during which the company's market capitalisation increased from \$900m to

\$19bn. But the stock has

underperformed the wider



Good run: Tony O'Reilly in his rugby football days

years, partly because of the poor performance of the company's Weight Watchers

division. Mr O'Reilly has also been criticised for his pay - he received \$2.9m in cash and kind in the last financial year, plus 750,000 stock plans to do so. hoard with an unusually

market over the past five high proportion of company

insiders and friends. Institutional investors. particularly TIAA-Cref, the college teachers' pension fund, have been putting strong pressure on Heinz to reform its board, hut Heinz indicated yesterday it had no

See Lex and Observer

EDR holders are in such dividend pay holders may now o Psymant of the di- ationship of resident banets of resident will be deducted as	formed of a division is Yen 4,0 resent Coupon Aderd with a 1 country set with the case of 20%	per common stack of Y No. 40 for payment to the 15% withholding lost is su- hawing a list treaty or ap- rate. Falling receipt of a v	date March 30, 1997. The on 60,00 per ahara. EDR s undermonitioned agents, bled to receipt of a valid reament with Japan giving with a differed Japanese too yaba. The lab rate of 20, 1, 1997. Dividend Payable
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California of the Control of the 1 & 12.	er common social of Yen S0.00 per share, EDR, 0. 24 for plyment to the undermensioned agents, withholding tax is subject to recept of a valid withholding tax is subject to recept of a valid withholding tax as subject to recept with Japan graing to Falling recept of a valid affictual Japanese bax if the gross children psychipe, The full rate of 20% claimed after Occious 31, 1897.
Demonstration Dividend \$60.00	Dividend Payable   Dividend Payable   Isas 19% Jepanese   Isas 19%
Depository, Clifforni, N.A., 338 Strand, London WG2R 1HS December 4, 1997	Agent: Calbonk; (Linembourg) S.A. 16 Avenue Marie Thereso Linembourg

The Financial Times plans to publish a Survey on

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on Wednesday March 18

For more information, please contact: **Gavin Bishop** 

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FINANCIAL TIMES

THE GOVERNMENT OF SANTA FE A GROWING PROVINCE

FINANCES AND TREASURY DEPARTAMENT BANCO DE SANTA FE S.A.P.E.M.

NATIONAL AND INTERNATIONAL PUBLIC BID No. 2064/97

**NEW DATES FOR PRESENTATION AND OPENING** 

OBJECT: The sale of the totality of the Class "A" shares representing a 90% (ninety per

SALE OF THE SPECIFICATIONS: At the BANCO DE SANTA FE S.A.P.E.M. - Home Office

Santa Fe - Calle 25 de Mayo 2499, 3rd. floor, City of Santa Fe, Argentina; - Home Office

Rosario - Calle Córdoba 962, 2nd. floor, City of Rosario, Argentina; or Buenos Aires Branch,

PRESENTATION OF TENDERS: The Technical and Financial-Economic Tenders shall be

filed jointly, at the Office of the Finances end Treasury Minister of the Santa Fe Province.

located at Calle 3 de Febrero 2649, Government Building 1st. floor, City of Santa Fe (Zip

OPENING OF THE TENDERS: The Technical and Financial-Economic Tenders shall be

opened in a public ceremony, at the Office of the Finances and Treasury Minister of the

Santa Fe Province, located at Calle 3 de Febrero 2649, Government Building 1st. floor, City

of Santa Fe (Zip Code 3.000), Argentina; on the 25th. day of March 1998 and on April 16th,

1998 respectively, or on the first subsequent working day, should those days be a holiday,

CONSULTS: For any information go towards the President of the Directory of the BANCO

DE SANTA FE S.A.P.E.M., ACC. Walter A. Agosto, Calle Tucumán 2545r, City of Santa Fe

Calle 25 de Mayo 168, 2nd. floor, Capital Federal, Argentina; until March 24th. 1998.

VALUE OF THE BID SPECIFICATIONS: \$20,000,00 (twenty thousand pesos).

Code 3.000), Argentina, until 12:00 o'clock of tha 25th, day of March 1998.

(Zip Code 3.000), Argentina. - Tel: 54-42-522-868 or 54-42-525-400.

ARGENTINE REPUBLIC

cent) of the capital stock of the NUEVO BANCO DE SANTA FE S.A.

## COMPANIES AND FINANCE: ASIA-PACIFIC

# **CNAC** plans Hong Kong listing

By John Ridding in Hong Kong

China National Aviation Company (CNAC), the commercial arm of China's aviation regulator, is to raise HK\$620m (US\$80m) through a share placement and a list-ing on the Hong Kong stock market, Peregrine Capital announced yesterday.

Along with the planned share issue by Tianjin Development, the announcement marks a resumption of Hong Kong listings by mainland industrial groups - although at reduced valuations. CNAC and other mainland-backed companies had postponed listings after sharp falls on the territory's stock market. Peregrine Capital said it

hed pleced shares worth

Leung, managing director of Peregrine international Holdings, the Hong Kongbased investment bank, sole underwriter for ths described the issue as a placement with Hong Kong "great achievement" given and international institu-the market conditions. "This tions, the IPO will be jointly issue has been very well received in the institutional marketplace and the placing closed well oversubscribed,"

said Mr Leung. The next phase in the company's listing will be the launch of the IPO next week. Combined with the placement, the total proceeds will be HK\$620m, far lower than initial forecasts of more than HK\$1bn. The total number of shares to be issued, includ-ing an earlier tranche for strategic industrial investors, remains the same, representing about 25 per cent

investors yesterday. Francis of CNAC's capital. But pricing has been reduced as market conditions are weak. While Peregrine was the

sponsored with BZW (Asia). The deal represents a wel-

come boost for both investment banks. Peregrine announced last week that it was cutting its 1,750 workforce by 275 as a result of the regional financial turmoil. BZW (Asie) is seeking a buyer following the decision by Barclays of the UK to sell much of its investment banking operations.

Shares in the placement have been issued et HK\$1.63 each. According to Peregrine, that represents e fully diluted price earnings multi-

ple of 12.64 times prospective 1997 earnings. Original proposals for the IPO had set a price of between 14 and 18 times earnings.

Investment analysts said the lower pricing reflected a pragmatic stance by CNAC. "Obviously red chips are not going to command the kind of multiples they did before. said the China analyst at one US investment bank. "But It is encouraging to see that they are willing to lower their sights to come to the market."

Red chips and H-shares. respectively the Hong Kong arms of mainland business groups and Hong Kong listings of mainland enterprises, are an important source of funding for Chinese industry. This year they have raised more than US\$8bn.

HSCC Red-chip index

me Euro and th

However, the fall in the Hong Kong stock market, triggered by regional currency crises and the defence of the territory's dollar, raised fears of a protracted

# **HK** Telecom in HK\$4.83bn mobile buy

By Louise Lucas in Hong Kong

Hongkong Telecom, the territory's dominant carrier. will pay HK\$4.83bn (US\$624m) to take over Pecific Link Communications, Hong Kong's fourth biggest mobile telephone operator.

The deal adds two networks and 265,000 subscribers to Hong Kong Telecom CSL, Hongkong Telecom's own cellular arm. It allows CSL to become the first operator to offer fully global

Analysts said the prica was fair, as it gave Hongkong Telecom extra spectrum and an existing network and subscriber base.

This puts it on an equal footing with Hutchison Telecom, which also runs three different technology networks, and enables Hongkong Telecom to regain its subscribers in the territory.

investors also welcomed the move, pushing Hongkong Telecom's share price 1.3 per cent higher to close yesterday at HK\$15.70. The the Asian conglomerate that controls Pacific Link, was prichanged et HK\$5.50, in line with the market's performance.

First Pacific owns 65 per cent of Pacific Link and the balance is beld by Vodafone Group of the UK. Pacific Link had been considering e elthough the move was shelved because of the turmoil on Asian markets. Manuel Pagilinan, manag-

in Tokyo

things.

with the red ribbon, on its

front grille, wheel caps and

back doors. Drivers with a

covers, and the floor mats.

Even the head of the car key

will feature the feline's face.

The launch of the cat car

Jepanese car industry in

recent memory. Car sales in

November fell 23.5 per cent,

the largest drop since the oil

sbock of 1973, the year

before Hello Kitty was born.

Domestic car sales have beeo battered by a consump-

tion tax increase in April

and poor consumer senti-

vated by failures in Jepan's

have so far enabled many

Japanese carmakers to make

up for the drop in domestic

demand, but analysts expect the fall in Asian demand

could mean a fall in domes-

tic production for the first

Daihatsu, Jepan's second

financial industry.

time in four years.

Daihatsu taps

feline appeal

ing director of First Pacific, said the company's exit from the Hong Kong telecoms sec tor was a result of heavy competition. "First Pacific has taken the view that it will focus its telecommunications efforts on markets where it can be the dominant player or e solid second

"It would clearly be difficult for us to echieve that status in Hong Kong, where the local mobile communications market is extremely competitive and consolida-

The sale will leave First Pacific with a hole in earnings next year of an esti-meted US\$30m, or 12 per cent of bottom-line earnings. Nikko Securities points out that selling a Hong Kong business will, by default, increase its exposure to the stricken economies of south east Asia.

After retiring Pacific top ranking for numbers of Link's debt, First Pacific will receive about HK\$2.4bn, as well as a further HK\$350m from the repayment of e facility extended to the mobile arm. Analysts say the cash will refuel specula-tion that First Pacific is to buy into San Miguel, the Philippines brewery.

However, it is likely the group's first priority will be to inject more equity into Smart Communications, the Philippines telecoms company in which it has e 52 per cent stake. Smart's planned listing has been repeatedly stock market listing, shelved in the face of the Asian markets turmoil, Analysts expect existing sharebolders to make good the



## No excuses left to dodge calls

Nippon Telegraph and Telephone, Japan's The phone weighs 45 grammes and its largest telecommunications company, has maker claims it is the smallest in the world. developed s wristwatch phone which the company hopes to have on the market oped power-economy chip. The phone can two years. Reuters reports from

It features an antenna and a newly devel-

# MTNL successful in \$358m GDR issue

By Krishna Guha in Bombay

Mebensger Telephone after an earlier planned Nigam, the Indian domestic \$800m issue by Gas Authortelecoms company, yesterday announced it had successfully completed s \$358m issue of global depository of the government and a steep slide in the value of the rupee.

The issue is three times subscribed, allowing MTNL's of India as an investment investment bankers to price the GDRs at \$11.958, slightly higher than most analysts

It is a sharp reversal of fortunes for an issue which has been hit hy one external crisis after another. When finances. MTNL will receive indie's government fell last the balance - \$119m from an weak, dragging down the initial public offer of 20m rupee and the country'e shares - which will contribstock markets, many analysts believed the MTNL investment programme issue would have to be aban-

Completion means that tutional investors from 15

India's GDR programme is et countries including a lete least partly back on track wave of interest from the ity of India was abandoned in the face of turmoil in international markets.

A. V. Gokak, chairman of receipts - in spite of the fall India's telecom commission. said the government was "very pleased", adding that the offering "demonstrates the continued attractiveness destination and investor confidence in the Indian tele-

communications sector". The state will receive \$239m from the sale of 40m MTNL shares, which will help fill a large bole in state ute to a \$3.25bn five-year

bacriptions from 500 insti-

US, where investors had earlier appeared lukewarm.

Analysts said that MTNL's investment bankers, Goldman Sachs, HSBC and Merrill Lynch, had "done e good job in tough circumstances". They added that the issue had been assisted by a modest recovery in the Indian market since the middle of

Each GDR represents two underlying shares, pricing the issue at 1.18 per cent premium to yesterday's domestic closing price of Rs232.25.

However, the issue is still e fraction of the size envisaged when it was announced earlier this year. MTNL had hoped to raise more than \$1bn from the sale of 190m shares, to be shared by the government and the company, which would heve made it the biggest GDR

## **LEGAL NOTICE**

NOTICE OF MEETING OF THE HOLDERS OF

10 set% Notes due 2004 and 11 set% Notes due 2004

Pursuant to the legros of the 10 595% Notes due 2004 and the 11 us% Notes due 2004 (collectively, the "Notes") of Cerval Alimentos S.A. (the "issue") and the Indentous in respect of a U.S. \$250,000,000 Euro Medium-Note Program among Cerval Oversees, 1.4. As issues, Cerval Alimentos S.A., as lesses or Cuscentor, Yesuda Bank and Trust Competry (U.S.A.), as Trustee, and Others, claims as of July 11, 1995, as supplemental and eraceded by the First Supplemental Indentous dated as of September 25, 1995 (as so supplemented and amended, the "indentities"), the lastice Neeby gives notice, as required under Section 6.5(a) of the Indentities and paragraph 18 of the Terrae and Conditions (the "Terrae and Conditions (the "Terrae and Conditions (the "Terrae and Conditions of Notes will be held at:

4:30 p.m. (New York City time) on January 5, 1998 at the offices of Graham & James LLP 885 Third Avenue, 24th Floor

The purpose of such a Special Meeting of holders of the Notes is to consider, among siner matters, the suboption of () certain proposed amendments (the "Proposed Immendments") to the Indecture and the Terms and Conditions of the Notes, nclusing: (A) the amendment or elimination of certain covenants (Paragraph 10); Negative Pledge" (Paragraph 11); "Consolidation, Merger or Sale of Assets" Paragraph 12) and "Unitation on Transaction with Atliature (Paragraph 15); and (B) he elimination or amendment of orthin Events of Default set furth in Paragraph 19 he elimination or amendment of the Notes, including the eminimant of the definition of indebtedness set furth therein and the elimination of superagraph set in the content of indebtedness (supparagraph (II)) and incorrect, incomplete or insteading representations in certain documents (subparagraph (II)); and (II) a waiver of existing defaults and Events of Onfault. The Section numbers set forth above rater to the Sections of the Indentuse and Paragraph numbers rater to Paragraphs in the terms and Consistents of the Notes. Holders of the Notes will also be requested to make certain defaults and Events of Default (as defined in the Indenture).

To obtain additional information with respect to the Proposed Amendments and other matters with respect to the Special Meeting, including how to obtain a proxy with respect thereto, holders of Notes may telephone collect to Chase Manhattan Informational Limited at \$500, 303-8202 (toll free) or \$212, 92-195 (collect) or \$23corp Securities, inc. at \$212, 291-01297 (collect), the \$400-2195 (collect) or \$23corp Securities, inc. at \$212, 291-01297 (collect), the \$400-2195 (collect) or \$23corp Securities, inc. at \$212, 291-01297 (collect), the \$400-2195 (collect) or \$23corp Securities inc. at \$212, 291-01297 (collect), the \$400-2195 (collect) or \$23corp Securities from \$23corp Securities (collect) or \$23corp Securities (collect) o

## EUROFIMA pean Company for the Fin of Relived Rolling Stock

U.S. \$250,000,000 Deutsche Mark LIBOR Based Floating Rate Notes due 2002 For the Interest Period 3rd December, 1997 to 3rd March, 1998 the Notes will carry an Interest Rate of 5.375% per annum with Coupon Amounts of U.S. \$13.44, U.S. \$134.37 and U.S. \$13,437.50 per U.S. \$1,000, U.S. \$10,000 and U.S. 51.000,000 Notas respectively. The relevant Interest Payment Date will be 3rd March, 1998. Swiss Bank Corporation

## **PERSONAL**

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Cool cat

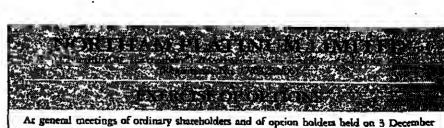
fered a 15 per cent decline in unit sales in Japan. Kitty fixation can see their favourite cat on the front The company is hoping its Hello Kitty car will lift its instrument panel, the seat fortunes. The mascot has been one of the longest-selling character goods in Japan since it was brought into the world in 1974 by Sanrio, a next month comes amid one toy and charecter goods maker. It features on everyof the worst seasons for the thing from children's underwear and Christmas stock-

A recent revival in its popularity among young women, who grew up with the cat, encouraged Dathatsu to feature Hello Kitty. Women buyers account for ment, which has been aggra- more than 60 per cent of the market for small cars with an engine capacity of

ings to personal handy

Strong export markets 660cc. The cat's renewed popularity has also lifted profits at Sanrio. Operating profits in the first balf of the year rose nearly four times to Y6.8bn (\$53m), supported by sales of Hello Kitty goods.

Daihatsu aims to sell 800 of the cars a month st a largest mini-vehicle maker price of Y869,000. In Japawhich is affiliated with nese, the numbers 8,6,9 Toyota, enjoyed strong sound like the first three exports to Europe hut suf- characters for Hello Kitty.

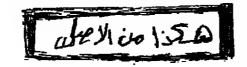


1997, the necessary resolutions were passed in terms of which the amended conditions relating to options, providing for the option exercise period to be extended by 12 months to 31 December 1998, were approved and adopted. The special resolution passed by the option holders has been lodged for registration with the Registrar of Companies, Pretoria, in compliance with the provisions of the South African Companies Act.

Option holders who have not yet exercised their options are required to surrender their option certificates in order that replacement certificates, reflecting the amended conditions, may be issued. The relevant documentation in this regard will shortly be mailed to option bolders.













# THE GERMAN PFANDBRIEF

**Progress Report for Investors =** 

## The Euro and the German Pfandbrief

# Outlook positive for Germany's largest fixed-income market

The recent announcement that the German government will convert its existing bond issues into the new European currency at the start of Phase III of European Monetary Union (EMU) has important implications for the German Pfandbrief market. Given that Pfandbriefe make up the largest individual bond market in Germany, issners recognized very early that in order to maintain their competitiveness vis-a-vis the Bund market, it would be essential for benchmark Pfandbrief issues also to be redenominated in euros at the outset of monetary union. Although this would scarcely be practical for all outstanding issues - of which there are more than 16,000 - existing Jumbo and Global Pfandbrief issues will be redenominated in euros at the same time as redenomination in the new currency takes place in the Bund market.

The critical by-product of this redenomination will be that investors in all participating EMU countries will no longer be exposed to curreocy fluctuations when buying German Plandbriefe. For investors beyond the EMU bloc currency risks will also be diminished if not entirely eliminated.

## Four decisive criteria

ft to dodge call

ccessful in

)R issue

With currency considerations - and their inherent risks - therefore no longer of relevance to investors in those European economies participating in EMU, four factors will emerge as the key yardsticks by which institutions measure fixed-income invest-

## The German Bond Market End of August 1997

Market Share of Plandbriefe in Circulation



## DM 4.3 TRILLION

ment opportunities in the "new" Europe. In broad terms, these will be credit quality, yield, liquidity, and familiarity with the issuer. The German Pfandbrief market has taken giant strides over the course of the last few vears to ensure that issuers of Plandbriefe more than adequately meet all these criteria, although the first of these, credit quality, has never been in doubt given that no issner has ever defaulted in the history of a market which dates back well over a century.

The track record of both Mortgage and Public Pfandbriefe aside, the security of the collateral backing Public Pfandbriefe is unparalleled. As Salomon Brothers repeated in its update on the market published earlier this year. "the collateral cover for Public Pfandbriefe consists of public-sector loans or those guaranteed by the public sector. Under the German federal system there is a constitutional obligation for mutual financial support between the AAA-rated federal government, the states, and the local authorities (Gemeinden). In terms of risk, the

Public Pfandbrief collaterals are comparable with the quality of German government bonds."

Testimonials to the enduring credit quality of the Pfandbriefe as a substitute government bond bave not only come from the investment banking community both in Germany and overseas. In the cootext of the new Europe that will take shape following monetary union, a strong endorsement of the Pfandbrief's quality has come from the European Central Bank (ECB), which bas indicated that the bonds will be ranked among the private debt instruments eligible for lombard and repotransactions with the ECB as Tier 1 assets. This means that they will share the risk characteristics of EU government debt. In other words, within the context of EMU, German Pfandbriefe will not just be seen from a credit perspective as "Baby bunds". They will enjoy the same credit standing as sovereign issues from governments that will participate in EMU.

Given the inherent credit quality of German Pfandbriefe, the yield available to investors on these bonds has also always been viewed as rewarding. Traditionally, Pfandbriefe bave offered a pick-up over Bunds of anywhere between 10 and 50 basis points.

## The Jumbo market brings enhanced liquidity

Until recently, the German Pfandbrief market failed to meet the criteria demanded by many international investors in the areas of liquidity and familiarity with issuers. In the past two years, bowever, both of these shortcomings have been addressed with striking success.

Any doubts about illiquidity in the Pfandbrief market have for the most part been dispelled since the launch in mid-1995 of the Jumbo Pfandbrief market. While traditional Plandbriefe were typically launched in modest denominations of between DM 50 and DM 300 million, and sold almost as private placements to long-term investors, Jumbo issues must be straight bonds worth at least DM 1 billion at launch. They must also be supported by a commitment from at least three marketmakers to qoote continuous two-way prices during trading bours.

## Bullding a wider investor base

Probably the most notable characteristic of the Pfandbrief market over the last 12 to 18 months, bowever, has been the energy and inventiveness which Pfandbrief issuers have demonstrated in promoting their names - together with the Pfandbrief instrument - to investors outside Germany, in particular to those in Cootinental Europe who, following the launch of EMU, will cease to he seen as "international" investors.

In recognition of this, since 1996 a number of German issners have been structuring Pfandbrief issues with foreign investors very clearly in mind. Following DePfa's launch of the first ever Global Pfandbrief issue in January 1996 - a DM 2 billion seven-year issue - DePfa itself and a number of other issuers bave continued to target international investors through the launch of Global or Euro Asian Pfandbriefe

denominated in D-Marks or - more recently - via Pfandbriefe decominated in other benchmark currencies. This year's highlights in this respect bave included the first ever Pfandbrief issued in French francs - a Ffr 2 billion deal launched by Frankfurter Hypothekenbank Centralboden in March - tailored towards the specific requirements of the French investor base, with the issuing bank reporting that some 93 % of the bonds had been placed with French institutional investors.

Another issuer to launch a Pfandbrief with an nnconventional 12-year

## **Jumbo Pfandbrief Issuers**

As of November 12, 1997

Issuer	iumber of issues	volume DM million	Share 9
1. Aligemeine Hypothekenbank	18	29,250	13.47
2. DePfa-Bank	12 .	25,500	11.74
3. Hypothekenbank in Essen	15	24,500	11,25
4. Rheioische Hypothekenbank	10	17,500	8.06
5. Deutsche Hypothekenbank Frankfurt	11	15,250	7.02
6. Frankfarter Hypothekenhank Centralboden	7	11,500	5.30
7. Bayerische Vereinsbank	8	20,500	4.84
8. Westdeutsche Landesbank	. 5	10,250	4.72
9. Westfällsche Hypothekenbank	. 6	8,500	3.91
10. Württembergische Hypothekenbank		8,200	3.78
11. Berlin-Hannoversche Hypothekenbank	4	8,000	3.68
12. DG HYP	4	6,500	2.99
13. Norddeutsche Landesbank	3	5,600	2.50
14. Deutsche Hypothekenbank Hannover	4	5,500	2.53
15. Landesbank Sachsen	4	5,500	2.53
16. Hypothekenbank in Hamburg	3	5,000	2,30
17. Hypo-Bank	3	4,500	2.07
18. Bayerische Landesbank	. 2.	3,100	1.43
19. Nûmberger Hypothekenbank	3	3,000	1.38
20. Deutsche Girozentrale -Deutsche Kommunalb	ank-2	2,500	1.15
21. Münchener Hypothekenbank	1 .	1,500	0.69
22. Rheinbeden Hypothekenhank	1	1,500	0.69
23. Bayerische Handelsbank	1.	1,000	0.46
24. BfG Hypothenbank	1	1,000	0.46
25. Dexia Hypothekenbank Berlin	. 1	1,000	0.46
26. Süddeutsche Bodencreditbank	1	1,000	0.46
Total Jumpo Plandbrief Market	136	217,150	100.0

and a US dollar Pfandbrief which raised \$ 750 million for Rheinische Hypothekenbank (RHE(NHYP) in June.

This process bas gathered momentum in recent months. Hypothekenbank in Essen's most recent French franc Pfandbrief issue, which was launched in October, was so popular among French institutional investors that its original size of Ffr 500 million was increased to Ffr 650 million in response to the weight of local demand. The following week the bank expanded the international scope of the Pfandbrief market by launching the first bond of its kind denominated in Sterling, a £ 150 million seven-year bond.

## New maturities to suit new investors

A further illustration of Pfandbrief issuers' ambitions to cultivate an investor base beyond Germany has been in the maturity structure of bonds issued in currencies other than D-Marks. With demand for long-dated paper very muted among German institutional investors, the linn's share of Jumbo Pfandbriefe issued to date has been accounted for by the shorter-dated bonds, with more than half of total issuance concentrated in the three to five-year maturity spectrum. However, when Frankfurter Hypo launched its first French franc issue in March 1997, the 12-year maturity was clearly

maturity this year was DePfa, which estimated that around 70 % of its 2009 France and the Netherlands.

Accessing euro-based investors has clearly been the main motivating force behind the recent succession of Pfandbrief issues in currencies other than D-Marks. A clear goal has been to enhance name recognition and acceptance of the issuing institutions.

bond was placed with institutions in

## **Germany's private** mortgage banks on course for record issuing year

In the first nine months of 1997, Germany's private mortgage banks boosted total sales of Pfandbriefe by 21.8 % over the comparable year-earlier period to DM 213 billion. These figures suggest that for 1997 as a whole, total issuance will surpass the DM 231.8 billion record level achieved in 1996.

Of the DM 213 billion issued by end-September 1997, Public Pfandbriefe - issued to refinance loans to the public sector - accounted for DM 162.3 billion or 76 %. Mortgage Pfandbriefe issued to refinance first mortgages on residential or commercial properties accounted for the remaining DM 51 billion or 24 %. Roughly one-third of the total Pfandbrief sales in the first three quarters of the year were Jambo Pfandbriefe.

Thanks in great part to Jumbo Pfandbriefe, the overwhelming majority of which are Public Pfandbriefe, the private mortgage banks bave substantially boosted their competitiveness. Overall, Pfandbrief issuers account for the biggest segment of primary market activity in the entire German bond market.

JEX Index launched

# **Jumbo Pfandbrief** market surges ahead

In light of the speed with which the Jumbo Pfandbrief market expanded following its official launch in mid-1995, it is perhaps unsurprising that the rate of issuance in the primary market has slowed in recent months. By the end of 1996, total issuance volume had mushroomed to just over DM 120 billion, and in the first week of 1997 alone more than DM 10 billion was issued in the primary market, Although this pace of new issuance could not be maintained since the early days and weeks of 1997, by mid-November there were a total of 136 Jumbo Pfandhriefe outstanding with a combined volume of DM 217.2 billion and an average size of just over DM 1.5 billion.

In spite of the slight deceleration in issuance during the second half of 1997, market commentators expect the Jumbo Pfandbrief sector to continue to expand rapidly over the medium term. with forecasts pointing to a market with a total value of as much as DM 300 billion by the beginning of 1999 - supported by growing international participation, rising liquidity, and a recog-Pfandbrief's eligibility for lombard and repo transactions with the ECB.

## The launch of the JEX Index

A critical landmark in the development of the Pfandbrief market was passed on October 15 with the launch of the JEX Index, a real time index for Jumbo Pfandbriefe. The index was developed by the Dentsche Börse in collaboration with Renters and the associations of Pfandbrief issuers, and is based on a synthetic portfolio of 30 Jumbo issues with maturities of between one and 10 years and carrying conpons of 6%, 7.5% and 9%, Modeled on the German government bond (REX) index, the new JEX Index and the performance index JEXP will substantially improve transparency in the Jumbo Pfandbrief sector enabling comparisons with the Bund market.

One day after the important launch of the JEX Index, the Deutsche Borse announced that it would also be introducing a new Jnmbo Pfandbrief futures contract in 1998 which over the longer term will belp to underpin increased liquidity in the market.

Although there has been some debate both within Germany and nverseas about the viability of a futures contract for the Pfandbrief market, most participants will welcome its introduction, for two very clear reasons. First, an active derivatives market for Pfandbriefe can only help to bolster liquidity in the instrument across the board. Second, the boom in the Jumbo Pfandbrief market has taken place against a bullish background for international bond markets. Altbough a bullish scenario of low interest rates and low inflation remains broadly in place, any mechanism which offers investors a measure of any protection in the event of a sustained downturn in international fixed-income markets can only be beneficial over the longer term to all market participants.

A further by-product of the launch of the JEX Index and the futures contract for the Pfandbrief market will be the likely-continued compression of spreads between German government bonds and the Jumbo Pfandbrief issues, which in turn will widen the spread between Jumbo and traditional Pfandbriefe. As of the start of November. Jumbo issnes were offering a yield pick-up over the government curve of between 10 and 20 basis points, while spreads of traditional issues were understandably higher. This, combined with the increasingly diverse maturity range of Jumbo issues, now means that investors in the Pfandbrief market have an unprecedented spectrum of bonds from which to choose in constructing a well diversified portfolio of

## **GERMANY'S MORTGAGE BANKS**

OFPFA-RANK, WIESRADEN BAYERISCHE VEREINSBANK AG. MÜNCHEN HYPO-BANK, MÜNCHEN **OEUTSCHE HYP, FRANKFURT** FRANKFURTER HYPOTHEKENBANK RHEINHYP, FRANKFURT BERLIN-HANNOVERSCHE HYPOTHEKENBANK AG, **OEUTSCHE GENOSSENSCHAFTS-HYPOTHEKEN-**HYPOTHEKENBANK IN ESSEN AG, ESSEN RAYERISCHE HANDEI SRANK AG. MÜNCHEN ALLGEMENTE HYPOTHEKENBANK AG, FRANKFURT WESTHYP, DORTMUND HAMBURGHYP, HAMBURG SÚDDEUTSCHE BODENCREDITBANK AG, MÛNCHEN DEUTSCHE HYPOTHEKENBANK (ACT.-GES.). MÜNCHENER HYPOTHEKENBANK EG, MÜNCHEN NÜRMBERGER HYPOTHEKENBANK, NÜRNBERG DEXIA HYPÖTHEKÉNBANK BERLIN AG, BERLIN RHEINBODEN HYPOTHEKENBANK AG, KÖLN NORDHYPO BANK, HAMBURG SCHLESWIG-HOLSTEINISCHE LANDSCHAFT HYPOTHEKENRANK AG KIFI BFG HYPOTHEKENBANK AG, FRANKFURT LÜBECKER HYPOTHEKENBANK AG, LÜBECK

For further information about German Plandbriefe please contact: Association of German Mortgage Banks (VDH) Bonn, Germany , Fax (+228) 9 59 02 44

WIL-BANK, MÜNSTER

WÜSTENROT HYPOTHEKENBANK

AXTIENGESELLSCHAFT, LUDWIGSRURG

M.M. WARBURG & CO HYPOTHEKENBANK AG,

By Gordon Cramb in Amsterdam

Shares in NBM-Amstelland, the Dutch construction group, fell nearly 8 per cent yesterday after its chairman was held on suspicion of money laundering.

The arrest of André Baar. 54, is the first that implicates a director of a listed company in a six-week-old inquiry into dealings on the Amsterdam stock exchange. Three former stockbroking executives were detained at

the same time, bringing the

nine. Berry van den Brink and Roger Leroy, ex-directors of the brokerage Gestion, were remanded along with Dick du Cloo, who had been a board member of NIB Strating. The latter firm was gations of insider dealing dissolved last week by its owner, the state-controlled National Investment Bank.

bourse, had headed both firms. Mr Leroy - like Han lands Antilles. Vermeulen, the first to be arrested in the affair - was

James Capel is part of the London stockbroker owned by the Hongkong and Shanghai Banking Corporation.

The case also involves alleand tax fraud. It bas prompted a review of controls on bourse trading, and Adri Strating, another of has uncovered evidence of the nine and known as the wrongdoing in transactions "grand old man" of the extending to London, Zurich, and Curação in the Nether-

The investigation by justice, tax and securities offi-

total of those in custody to previously with Van Meer, cials had already struck the Fi 81.5m and its shares, a rising to head the Amstelwhich as HSBC Van Meer country's corporate estab- component of the Amsterlishment with the arrest last dam Midkap index, are group which was created month of Fred Hendricks, a top pension fund manager at traded on the bourse. Yester is a companion of the order Philips, the electronics group. But with NBM-Amstelland it yesterday touched hoardroom level among

qnoted companies. As chairman since 1990, Mr Baar had presided over rapid growth at NBM-Amstelland, where revenues last year reached Fl 3.69bn third in the Dutch building sector. Net profits doubled to

among the 50 most actively through a merger in 1988. He day they fell F14.50 to close of Orange-Nassau, the equiv-

The company is the leader in the domestic market for and recently agreed to purchase track laying offshoots from the state-owned railways. Analysts had been ranking NBM-Amstelland as a sector outperformer.

land side of The Hague-based alent of a British knighthood

Jan van Dongen, a fellow civil engineering projects board member, was named acting chairman in his place. Mr Baar stands accused of making false declarations as well as money laundering. His arrest followed an interview with the Fiod, a state Mr Baar began his career agency which investigates as an apprentice carpenter, tax affairs.

## **EUROPEAN NEWS DIGEST**

## Banca di Roma names investors

Banca di Roma, Italy's second largest banking group, yesterday gave details of the main investors in last week's institutional offer of shares as part of a 13,000bn (\$1.7bn) capital restructuring. Cesare Geronzi, president, said George Soros, the US investor, and British Petroleum's pension fund were among new investors in the bank. He told two Italian newspapers that funds run by Mr Soros, as well as others by Gartmore, Fleming and Tudor, participated in the offer.

Mr Geronzi also revealed that Russian investors who had last month approached iri, the state holding company, with a bid to buy a large stake in Banca di Roma, had failed to materialise. "The Russians were invited to take part in the offer," Mr Geronzi said in an interview with La Repubblica. "But they were not seen."

The shareholders who took part in the institutional offer are separate from those which bought shares in a private placement. These include three Arab banks, among them the Libyan Arab foreign bank, which bought 5 per cent. Mr Geronzi also said the core group of investors were still come with only the incurse. tors was still open, with only the insurer Toro Assicurazioni so far signing an agreement with Cassa di Risparmio the majority shareholder.

## **BRUSSELS**

## Veba-Degussa merger cleared

The European Commission yesterday cleared the proposed merger between Veba, the German industrial group, and Degussa, the chemicals, metals and bealth care company, after Veba promised to sell its stake in a joint venture with Cabot for the production of fumed silica, a speciality chemical, to an independent company.

In a detailed investigation, Brussels found that without such a sale, the merger would lead to the creation of a dominant position in the European market for fumed silca. Apart from Degussa, which is the market leader, only Cabot and Wacker are active in the market.

Emma Tucker, Brussels

## ■ SWITZERLAND

## SMH announces ADI purchase

SMH, the Swiss watches group, said yesterday its EM Marin subsidiary had bought ADI Advanced Designs of the US. Nicolas Hayek, SMH chairman, said the acquisition would cost SMH less than \$10m and would be financed through cash and SMH shares. It was "one of several that will be coming", he said.

EM Marin is a leader in low-power integrated circuit technology, and ADI designs integrated circuits and systems. The acquisition is expected to treble EM Marin's annual sales of integrated circuits from SFr140m (\$97m) now. The technology is important for SMH's products.

## HUNGARY

## Israelis open Budapest complex

opened a DM28m (\$15m) shopping and entertainment com-plex, Csepel Plaza, in Budapest. The Israeli companies plan a further 10 complexes in Hungarian cities to create a nation-wide chain by the turn of the century. Construction of the next mall, in Gyor, western Hungary, began yesterday, and is to be completed in seven months.

The 20,000 sq m Csepel Plaza is near e closed steelworks in Budapest, once known as "Red Csepel" for its political leanings. The owners forecast the mall will attract an

The Israeli companies, in consortium with Hungarian trading company Transelektro, opened Hungary's first shopping mall, Duna Plaza, a year ago. The 84,000 sq m complex attracts between 30,000 and 50,000 visitors a day, and total turnover in the first year, including office rent, is expected to be between Ft40bn and Ft50bn (\$200m-\$250m), according to deputy managing director Ferenc Kester Eddy. Budopest

# wind up **Trustor** in reach

By Greg McIvor in Stockholm

Minority shareholdere' efforts to force Trustor, the Swedish investment company, into compulsory liquidation looked stronger yesterday after a dissenting shareholder withdrew objections to the application.

The estate of a deceased shareholder with call options covering about 8 per cent of Trustor's capital had opposed the liquidation order, saying it would render the options worthless.

However, the objections were withdrawn yesterday Skandinaviska wben Enskilda Banken Funds, Trustor's largest institutional shareholder, agreed to buy the options. The fund sold all its Trustor B shares, equivalent to 8.5 per cent of the equity, to cover the purchase. The shares are thought to have been purchased by US hedge funds.

Minority shareholders in Trustor, which is embroiled in a SKr620m (\$79.6m) fraud inquiry, see compulsory liquldation as essential to clearing np the company's financial position and returning money to share-

Patrik Tigerschiöld, bead of SE-Banken Funds, said: The probability of the liqnidation going through must be higher now that we have solved the [options] problem." He said the fund had exercised the options increased its net exposure to

The liquidation application is expected to be considered by a Stockholm court next week. It may be challenged by St Crispin Trad-ing, a Virgin Islands company said to bave purchased a 51.8 per cent voting stake beld by Lord Moyne, former chairman, in October.

# Order to AGF bid may prompt Coface restructuring

The French government hinted yesterday that it was likely to restructure Coface, the export credit insurer, or change its ownership if the insurer AGF passes into for-

eign hands. Dominique Strauss-Kahn, economics, finance and industry minister, said he would find it "difficult to see" how a series of statemandated functions carried ont by Coface and which "directly affect French companies" could be managed other than by a "French company".

owns 57 per cent of Coface. Coface continues to underwrite exports by French

from the French state. The latest statement from the government follows a wave of political protest at the prospect of AGF falling into foreign hands, which has led to discussion of measures to protect French companies from takeovers.

bid after Italian group Generali launched a FFrs5bn (\$9.26bn) hostile offer in September. Allianz says it wants only to buy 51 per cent of His comments were trig. AGF, and pledges to maingered by the prospect of a tain a minority presence on friendly takeover of AGF by Allianz of Germany. AGF, sion-making in France.

the Allianz bid have formally opened, because they await approval by the companies with support French insurance commission and ratification by Mr Strauss-Kahn.

Axa-UAP has been cited as a possible candidate to take control of Coface. In the past it has been closely allied with Generali, and was suggested as a candidate to buy Coface if the Italian bid AGF agreed to the Allianz succeeded.

Athéna, currently owned by the holding group Worms & Compagnie, is shortly to come into AGFs control as the result of a friendly takeover. There are no other quoted French insurers, but only a series of mntuals such as Groupama.



## Suez appointment may lead to change

By Neil Buckley in Brussels

Snez-Lyonnaise, the French utility, has eppointed a restructuring specialist as chief executive of its subsidiary Société Générale de Belgique, in a move which could presage wider change at the powerful Belgian holding company. Christine Morin-Postel, 51, will succeed Philippe Liotier when he retires in February.

The move led analysts to suggest that Ms Morin-Postel had been eppointed to rationalise La Générale. The Belgian group's interests have been considerably refocused since the then Compagnie de Suez acquired its 63 per cent stake in 1988. and the transactions had not | But its interests still span financial services, utilities and heavy industry, with sizeable stakes in Générale de Banque, Belgium's biggest, and Fortis, the financial services group, Tractebel, the utility, and in mining group Union Minière and Luxem-

bourg steelmaker Arbed. Ms Morin-Postel has experience in both halves of Suez-Lyonnaise, formed by this summer's merger of Compagnie de Suez and Lyonnaise des Eaux. She joined Lyonnaise in

international operations and development director, before heing recruited to sort out Suez's sprawling property interests.

Although La Générale financed the rise of Belgian industry and once accounted for about a third of the economy, the group's influence has waned. Since the merger, the enlarged group has hinted it was more interested in Tractebel, which has sizeable Belgian electricity and gas interests, than in La Générale's financial activities. Analysts suggested Suez was pre-

a radical re-orga La Générale based around Tractebel. Fortis recently denied reports that it was interested in taking over La Générale's stake in Générale de Banque. But, since the acquisition of Belgium's Banque Bruxelles Lambert by ING of the Netherlands, and Fortis' move to increase its stake in the Belgian bank ASLK-CGER to almost 75 per cent, speculation has resurfaced about a Fortis/Générale

70

30-

# KLM and Alitalia deep in tie-up talks

Speculation intensified yesterday that KLM, the Dutch airline, was on the verge of announcing a strategic alliance with Alitalia, Italy's national carrier, in the latest step towards consolidation of the European airline industry.

the two airlines were having "constructive" discussions and that Leo van Wijk, KLM president, could hold . Gordon Bethune, chairman of face-to-face talks in coming days Continental Airlines, said yesterday ith Domanico C chief executive.

ing to insist last night that it would ers, writes David Owen in Paris. go on holding talks with three Eurogic partner. The other two are Air France's capital if Air France so France and Swiss Air. However, a KLM spokesman said:

Teams from both sides are looking with two US companies - Continenat all aspects. We are working tal and Delta Air Lines - in October around the clock to stamp out the 1996. The French government

A spokesman for Air France was the French group's capital to be See Observer | quoted by Italian news agencies as opened to ontside investors.

made "very concrete proposals for the development and creation of a huh at Malpensa" - one of the most important issues facing Alitalia as it seeks to turn itself around after suffering losses for nearly a decade.

A final decision on the strategic alliance is expected to be announced this week or next. In the wake of the Italian news agencies in Rome decision, Iri, the state bolding com-reported a KLM official saying that pany, will press ahead with plans to sell some 25 per cent of its share capital oext spring.

was "not necessary" for the develop-For its part, Alitalia was continn- ment of links between the two carri-However, he said Continental pean airlines over a possible strate- would "discuss e participation in Air

wished". Air France announced link-ups recently gave formal clearance for

# Red Sea Hotels and Israeli Control Centers yesterday

over of Ft8bn (\$40m).

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

## **CONTRACTS & TENDERS**

# Invest in Romania

Advertising release for sale of shares by direct negotiation The STATE OWNERSHIP KUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for sale by direct negotiation a 50,99531% of the issued share capital of MOLDOCIM SA, Bicaz.

- Registered Office: Bicaz, Str. Piatra Corbultri nr. 80, Jud. Neamt Fiscal Code: 2064663
- Registration no. at Commercial Register Office: J27/3/1990. Issued stock capital, according to the latest records at the Commercial Register Office: 166,840,500 thousand, ROL Turnover in 1996: 121,822,622 thousand, ROL Net profit in 1996: 3,747,904 thousand ROL
- Main scope of activity: cement production.

local number of shares at a nominal value of 25,000 ROL each: 6,673,620. The share ownership structure is as follows:

State Ownership Fund Financial Investment Company Moldova Share owners through mass privatization Shares assigned to the manager

The offer for the 50.99531% issued share capital, i.e. 3,403,233 shares is 434,324,000 thousand ROL for Romanian investors, or 58,134,653 USD for foreign investors.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOFRDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucureşti, Str. STAVROPOLEOS, nr.6, phone 04-01/3110495: 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs, at a price of 2,500 USO for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and legal entities.

This sum has to be transferred in advance to the State Ownership Fund accounts; no. 5314-0000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for FEROM SA Talcea are included in the company PRESENTATION FILE.

THE PRESENTATION FILE will be released on presentation of: 13 a copy of the payment order for the presentation file; ideatity card (or passport for foreign citizens);
 Certificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of puring at the Seller's disposal a guarantee of a participation i.e. 13,029,720 thousand ROL or 1,744,040 USD as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, to account no. 4001680900313 at the Romanian citizens or legal emitters foreign citizens or legal emitters may pay cash, to the State Ownership Fund, to account no. 5314-0000024230007, in USD, at the Romanian Bank for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank:

Bidders should submit the PURCHASING OFFER and the documents supplied by Government Decision (HG) no. 457/1997 arricle 26, published in 'Monitoral Oficial' no. 213/28.08.1997 no the State Ownership Fund, Offers Division at the above mentioned address, at a scaled envelope, prior to 22 Dec, 1997, 16.80krs. (from deadline for submission).

## **CONTRACTS & TENDERS**

# Invest in Romania!

Advertising release for sale of shares by direct negotiation The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for sal by direct negotiation a 69.992% of the issued share capital of ROMAERO SA.

- Registration no. at Commercial Register Office: 140/3940/1991.
- Registration to, at Commercial Register Office: 140/3940/1991.

  Issued stock capital, according to the latest records at the Commercial Register Office: 156,153,725 thousand, ROL Turnover in 1996: 13,087,255 thousand, ROL Net profit in 1996: 814,300 thousand ROL

Total number of shares at a nominal value of 25,000 ROL each: 6,246,149. The share ownership structure is as follows:

Main scope of activity: design, manufacture and trade of civil and military aircraft products.

% 72.913 State Ownership Fund Financial Investment Company Muntenia Share owners through mass privatization 25.851 1.228 .0.008

The offer for the 69,992% issued share capital, i.e. 4,371,822 shares is 350,030,000 thousand ROL for Re-

45,991,000 USD for foreign investo The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOFRDA BUSINESS CENTRE, OFFERS OIVISION of the International Relations Department, Bucuregi, Str. STAVROPOLEOS. nr.6, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs, at a price of 2,500 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens

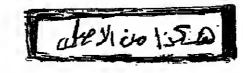
This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-00000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest

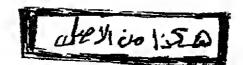
Branch (BRD-SMB) for Romanian investors. The minimal environmental conditions accepted for ROMAERO SA Bucharest are included in the company PRESENTATION FILE.

> THE PRESENTATION FILE will be released on presentation of: a copy of the payment order for the presentation file: identity card (or passport for foreign citizens);
>
> | certificate from the bidding company,

In order to participate in the negotiations, bidders are required to present evidence of participate in the Seller's disposal a guarantee of a participation i.e. 10,500,900 thousand ROL or 1,379,730 USO as follows: Romanian citizens or legal entities may pay cash to the State Ownership Fund, to account no. 4001680900313 at the Romanian citizens or legal entities; foreign citizens or legal entities may pay cash, to the State Ownership Fund, to account no. 5314-0000024230007. in USD, at the Romanian Bank for Foreign Trade (BANCREX): alternatively the bidders may instruct the bank where they hold their account to release an inconditional bank

Bidders should submit the PURCHASING OFFER and the documents supulated by Government Decision (HG) no. 457/1997 article 26, published in "Mountoral Official" no. 213/28.08, 1997 to the State Ownership Fund, Offices Division at the above mentioned address, in a sealed envelope, prior to 30 Jan. 1998, 12.00trs. (from deadline for submission).





## **COMPANIES AND FINANCE: EUROPE**

# King of the financial investment bargain

hen there's a panic His purchases barely lam always dented his total assets. bappy. I look at which he puts at \$12bm, built how everything goes down on a series of well-timed as a result of the herd investments in once-ailing instinct. Then I buy."

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The Transition of the Control of the

Prince Al-Waleed Bin Talal Bin Abdulaziz Al-Saud in 1991 helped shore up to a flashes a faint smile as be current worth of \$5.1bn. assesses his losses following the recent instability on the world stock markets.

"One day I lost \$640m in four bours. But I didn't As the markets plum-

meted, the nephew of Saudi Arahia's King Fahd drew upon a cash reserve which he says totals about \$3bn. and went on a buying spree. Using \$1.2bn of this treasure chest, he bought 5 per

cent of Rupert Murdoch's News Corp, 5 per cent of the internet hrowser Netscape Communications and a similar stake in Motorola, the cellular telephone manufac-Meanwhile, eyeing southeast Asia'a troubles, he has

spent \$300m huying stakes in Daewoo, the South Korean engineering giant, and Proton of Malaysia. For me, as a dollar-based investor, some countries went down by 45 per cent. We were buying at up to 80 per cent discounts, after cur-

rency conversion. And that market could go down further, though I think on balance the bad news is over."

companies such as Citicorp, which his \$590m investment

"It's a well defined strategy. I'm a financial not a strategic investor. Most investors concentrate on their sectors. For me, I can panic. I looked for what to see us investing in many countries, if the companies I

have assessed are at the right price," he says. Prince Al Waleed is less a gambler than arguably the world's most successful bargain hunter.

His purchase of News Corp marked a long-expected move into global media. It was also the latest sign that the financier, who conducts business from beneath a tent in the Saudi Arabian desert or aboard his luxurious private Boeing 727, is evolving a new strategy.

The media and communications investments are long term. Definitely, I'm of the view that technology, media and communications are the future. News Corp is the only company that is beam-ing to China and India, even though those countries haven't yet opened up their domestic media.

**Global kingdom** Saudi Arabian holdings (Singdom Holding Company) United Saudi Hark Al-Aziza Pends United

Al-Manualti and Al-Mukarish United Company National Industrialization Company Arab Radio and Television (ART), Rotars for Audio and Visuals Company and Stickstein Company for Communication

Al-Actas Commental Investment Company

Hingdom Residential Complex

Kingdom Hospital

international holdings Cition 8.3% Four Seasons Regard 25% Pairmont Hotels 50% Disneytered Paris 24.2%

Canary Wharf, London 1099 Sales Filth Avenue, New York 6.1% - - Decwoo 5.0% - Copley Place, Boston 100% - - Reiscape 5% The Plaza Hotel, New York 50% - Motorcia 1% Movempick Hosels 30%

Medianet, Italy 10% George V Hotel, Paris 100%

will find others," he says. His News Corp investment makes him the company's largest shareholder after Rupert Murdoch. But far from the boardrooms and skyscrapers, the most vivid sign of this new strategy can be found on a vast tract of barren desert in aouthern Egypt.

Toshka is a turning point. By nature the media companies are almost always different from the objectives overpriced, so I don't think I that we have bad hefore. Mubarak, president of Egypt. for this project. We are like crest of a Gulf investment

Donne Keren 7% Planet Holywood 1.2% Apple Computer 5% Cordent Company 3% MensCorp 5%

With certain conditions it is Its aim is 10 pump water feasible and do-able," he from Lake Nasser along the

TWA 5%

e has just completed a visit to 416,000 acres of rock-strewn desert he plans to turn into the world'a largest irrigated farm, growing wheat, barley and alfalfa as well as citrus

fruits, cotton and vegetables. The Toshka project is the ambitious dream of Hosni

Sheikh Zayed Canal, the first 67km stage of which is under construction thanks to rate of return on this invest-\$250m provided by Sheikh ment of less than 20 per Zayed of Abu Dhahi, to allow cent, hecause there are reclamation of part of Egypt's Western Desert.

very long term. It's close to Saudi Arahia, which is not an agricultural country. We are acting like the catalyst

locomotive."

Prince Al-Waleed's King- countries. dom Holding Company, in which he is the sole share- chain in which he bolds 30 holder, has established a per cent, is to build eight subsidiary, the Kingdom hotels in Egypt. Agricultural Company, spe-cifically to control what it which he invested \$251m for predicts will be a \$1bn a 25 per cent stake, is expecinvestment at Toshka.

ut the launch of the B project is conditional Islamis on the willingness of ber 17. the Egyptian government to huild a spur canal to take deni scare us. The Islamists water 40 kilometres into the will definitely scare people. land to be farmed. The question of who will finance the sour has yet to be answered. The thorny issue reveals his

to come to Toshka. It's not just based on sentiment. Egypt has to understand that there's always competiworld. So, I won't accept a many projects in the world. If I accept less, other inves-"I look at Toshka as being tors will say; why should I come?"

With KHC investment in Egypt already standing at \$450m. Prince Waleed is the

the anchor investor, who wave in the country. His will finance it until take-off, planned investments in six after which we have to get Egyptian tourist resorts will other investors who will underpin a global hotels manage it. We will be the push which may ultimately

involve 42 new hotels in 15 Movenpick, the Swiss

ted to build four five-star batels - one in Luxor where 58 tourists were killed by Islamist militants on Novem-

"We will not let that inci-But I'm not really very concerned, because it's not an action by the grassroots," he

And as the jet carrying his "I can go anywhere in the 35-strong mobile office staff world. Nobody has forced me touches down in Cairo, Prince Al-Waleed's sights A recent African tour look him to 13 countries, where tion from the rest of the 30 projects ranging from agriculture to hotels and fisheries are being considered.

"We go to stable countries. And the countries of sub-Saharan Africa are becoming stable. There's a major democratisation, which will stop corruption, and Africa is the coming continent."

Mark Huband

# Asia slowdown upsets Gucci

By Alice Rawsthorn

Gucci, the Italian fashion group. third-quarter profits to \$43.1m fourth quarter. "At the same time, exchange rates and a slowdown in and we expect to report strong the Asian market

The decline marks the end of a quarter levels," he added. golden era for the company, since going public in New York dam yesterday. and Amsterdam two years ago.

sector at a time when other Ital-

floating their equity.

operating profits, close to third-

Gucci's shares, which fell which has reported bealthy sharply after the profits warning, increases in sales and profits slipped F11 to F175.40 in Amster-Last week, the shares' erratic

Gucci's difficulties cast a cloud performance fuelled speculation of over the rest of the luxury goods a bid, but Mr De Sole said there was no evidence of strategic buyian fashion groups - notably Gior- ing. Gucci recently unveiled progio Armani, Gianfranco Ferre and posals to buy back up to 5 per Gianni Versace - are considering cent of its shares, after its institutional investors blocked plans to Domenico De Sole, Gucci presi- limit the voting rights of individ- huy Severin for \$150m.

dent, who warned investors in ual shareholders to 20 per cent. September about the slowdown, . In spite of the slowdown in said trading conditions had Asia, net revenue rose to \$239.9m yesterday unveiled a fall in net remained difficult during the from \$230.2m in the three months Indosuez and Elf Aquitaine is set to October 31. However, costs rose from \$46m because of adverse we are carefully managing costs from \$85.5m to \$89.5m and operat. of Societé Marseillaise de Crédit,

> The weak yen, which has depressed Japanese tourism, and economic instability elsewhere in Hawaii and Hong Kong.

Fourth-quarter earnings should be buoyed by the first contribu- French cabinet. tion from Severin Montres, the Swiss company which has beld the licence to manufacture Guc-

# SMC names managing director

By Andrew Jack in Paris

A former executive at Banque to be appointed managing director ing profits fell from \$68.7m to the troubled regional banking group owned by the French

Geneviève Gomez will take day-to-day charge of the bank, Asia dampened demand in the leading a team of new executives important duty-free markets of to be brought in by Patrick Carell. who was yesterday formally appointed chairman by the

Mr Careil, a member of the elite administrative inspecteur de finance corps and a close adviser ci's watches for more than 20 to a series of socialist ministers, years. Last week, Gucci agreed to bas chaired the state-owned Banque Hervet since 1989.

He plans to remain executive head of the bank two years ago chairman and become non-execu- after the last-minute intervention tive head of Marseillaise de by President Jacques Chirac to Credit

He will launch an audit of the Marseilles-based institution. expected to last three months, to what measures need to be taken.

The bank has already been subject to successive recapitalisations by the French government and the outgoing administration had agreed with the European competition authorities in Brussels that it would be rapidly privatised.

Mr Carell's appointment comes after a long struggle to oust Pierre Habib-Deloncle, the incumbent who resigned in the past few days. Mr Habib-Deloncle was named des Dépôts et Consignations.

management. prevent another candidate being appointed.

He was treasurer of the Friends of Jacques Chirac Association and of a Gaullist banking organisa-Last year it raised a \$200m assess its bealth before deciding of a Gaullist banking organisa-

The French banking commission launched a formal investigation last week into Marseillaise de Crédit, after demanding clarifica- increase to 10m in 2000. Its tion of a number of loans.

Gomez, the former bead of Thom- estimated 1.2bn zlotys this son, the defence and electronics year. TP's net debt at the group. She is also the former wife | end of last year was \$1.6bn. of Philippe Lagayette, the outgohead of Marseillaise de Credit, ing bead of the state-controlled vatisation programme for financial institution, the Caisse

FRENCH GOVERNMENT SECURITIES

## **Sackings** at Polish telecoms operator

By Christopher Bobinski in Warsaw

Poland's new centre-right government has sacked the top management at Telekomunikacja Polska (TP), the state-owned telecommunications operator, ahead of its partial flotation next year.

The clean-out, which includes the replacement of Jacek Gadomski, chief executive, by Pawel Rzepka, who headed the company's Pornan district in western Poland, comes as the state treasury calls for hids in an advisory tender which closes

at the end of this month. The company's supervisory board, which, like senior management, had close links with the previous leftwing government, has also been replaced. The new rhairman is Miroslaw Jakubowski, who is also the new director general at the tele

coms ministry, The government has justified the sackings by claiming it discovered irregularities in the relecoms operator's credit dealings. Its move came just as Mr Gadomski was due to sign a \$150m loan for general corporate purposes provided by a consortium of foreign banks led by Bankers Trust International. The signing of the loan, scheduled for today, has

This year TP has raised 350m zlotys (\$100m) worth of financing through a zloty-denominated commercial paper issue arranged by the domes

been postponed by TP's new

loan from a local consortium led by the Pekao SA bank.

The company operates 7m lines, which it expects to net profit reached 758m zlo-Ms Gomez is the sister of Alain tys in 1996, climbing to an The new government's prinext year is set to raise 6.5bn zlotvs.

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USD 75,000,000 **Term Loan Facility** 

Banco Central Hispano - Frankfurt Branch Landesbank Schleswig-Holstein Hua Nan Commercial Bank, Ltd. Hong Kong Branch Kredyt Bank PBI SA

Adria Bank Aktiengesellschaft Baden-Württembergische Bank AG Banca Romana De Comert Exterior S A -Bancorex, Cyprus OBU Bank Kreiss Aktiengesellschaft CB "Garanti Bank Moscow" ZAO

Central-European International Bank Ltd

Bank of Cyprus Limited

CONDON TORFALTING

Inkomfinanz Group AG

Moscow Narodny Bank Limited National Savings & Commercial Bank Ltd. (OTP Bank)

Bayerische Landesbank Girozentrale

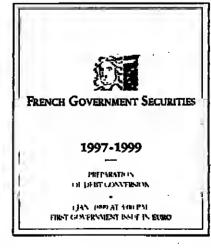
Hungarian Development Bank Ltd Inter-Europa Bank Rt. Istrobanka, a.s. Ost-West Handelsbank AG Vereins- and Westbank AG



FRENCH GOVERNMENT SECURITIES

1985-1990

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1991-1993

THE EUROPEAN GOVERNMENT SECURITIES BENCHMARK

Banco Santander, London Branch Credit Suisse First Boston (Cyprus) Limited Enskilda Debt Capital Markets The Fuji Bank, Limited London Forfaiting Asia Ltd Banca Nazionale del Lavoro International

P.T. Bank Ekspor Impor Indonesia (Persero), Paris Branch Royal Bank of Canada Europe Ltd

International S.A. Magyar Külkereskedelmi Bank RT The Sumitomo Bank, Limited

Vilnians Bankas AB

Old King Coal has come

back to baunt another

British government. Such

is the industry's grip on

public emotions that, even

in its much diminished

size, it can cause politi-

cians to swerve. In itself,

reviewing whether new

gas-fired power stations should be built is not

barmy: too much reliance

LEX COMMENT

K coal

R.H. Mining

UK printing group says hostile £188m offer 'fundamentally failed' to recognise its value

# Quebecor bids for Watmoughs

By Andrew Davis in London and Scott Morrison in

Quebecor Printing of Canada yesterday launched a hostile £188m (\$314m) cash bid for Watmoughs Holdings, the UK printing and packaging group, which said the offer "fundamentally failed" to recognise its value.

Shares in Watmoughs soared 90p to close at 287/4p, ahead of the offer price of 257p for each ordinary share. Patrick Walker, chairman, said Quebecor's bid was

shares tumble from about 450p early this year amid worries about a squeeze on profits from the strong pound and its management

Quebecor, the second largest commercial printer in Charles Cavell, president mainly the UK. Spain and North America, said it and chief operating officer of Hungary – with care and wanted to expand in Europe by building its presence in the UK, where it bought Hunterprint two years ago. Watmoughs' pre-tax prof-

casting about \$18m for the Watmoughs has seen its year to the end of this

month. In August Declan Salter quit as chief executive after only eight months and Mr Walker, the previous chief executive, returned to take

Quebecor, said competitive pressure on Watmoughs from larger pan-European rivals would only increase. to be... We're creme de la "I guess there are now three

opportunistic and did not its fell 6 per cent to £22.2m fundamentals - death, taxes reflect Watmoughs' pros- in 1996 and analysts are fore- and the erosion of prices in the printing industry.

But Mr Walker said yesterday that Watmoughs had addressed its problems. He dismissed Que tion that pan-European operations were the way abead, saying Watmoughs had chosen markets had leading positions in them. "We've got very definite views on where we want

knock-out blow. But they said it, or a rival, could find support among investors with a second tilt pitched at more than 300p.

The Canadian group's move is the latest in a number of recent cross-border bids in the sector. Quebecor is offering 120p in cash for Watmough's pref-

The Canadian group is advised by Merrill Lynch and Watmoughs by Schro-



# The predator turns impatient and hostile

Walker and the Watmoughs board and win a bid recomndation over two days of talks this week. Charles Cavell yesterday turned hostile, writes Andrew Davis.

The president and chief operating officer of Quebecor Printing arrived in the UK on Monday last week, sat down with Merrill Lynch advisers and prepared to open talks with his target. Unable to secure a meeting until Monday, he grew

impatient, a quality he let dicted at April's annual show yesterday. "This is a good base and this is an excellent market and I am going to expand here. It's that simple.

Watmoughs became his target after a year in which

Sterling's strength has heen a severe drag on its trading in continental Europe, and had also dented profits from the Spanish and Hungarian businesses. Although Mr Walker pre-

meeting that profits for 1997 would be about £22m (\$37m), in line with the 1996 figure, this has not stopped analysts' forecasts falling

well below that figure. They had been forecasting profits of £27m, hnt have since trimmed predictions to about £18m.

The company suffered further problems in August when Declan Salter quit as chief executive after only mined to take part. eight months. He had been

run the company. Instead, Mr Walker was obliged to return to take charge

Mr Walker said yesterday

that Watmongha had

addressed its problems and was back on track. Mr Cavell said that OPI believed further integration of the European packaging

industry was inevitable, and his company was deter-If it wins, QPI plans to

ness within its existing UK and European operations. serving customers throughout the continent

QPI already has substantial operations in Europe. It entered the European market in 1993 with the purchase of Fecomme, breakinginto the UK in 1995 with the purchase of Hunterprint for £24m, adding Didier of France the same

It now has 18 printing

plants in the UK. France and

last year of \$660m Mr Cavell said QPI had idered the alternative of building new capacity in the UK, but felt the market was already over-supplied.

Walker will have to convince sbarebolders that Watmoughs bas a bright future as an independent, and the management in depth to carry its strategy

Spain, generating revenues

To escape the bid, Mr

on one energy source could conceivably threaten security of supply. But in the context of mounting pressure from backbenchers to do something to same D save British mines, it looks a naked attempt to rig the market. Even as a tool for preserving pits, banning gas fired stations is blunt. It would mean more coal was burnt than would otherwise be the case. But the long construction times required for

gas-fired power stations mean there would be a delay of ot least two years before there was any effect on capacity, and there would be no guarantee that the coal eventually bought was mined in Britain. Indeed, since most local coal is uncompetitive, incremental demand would probably be filled by imports. British pits could be saved only if even more extreme measures were taken - like stockpiling mountains of coal and subsidising the industry.

Even more worryingly, preventing construction of cheap gas-fired plant would distort the entire electricity market. Artificially restraining new entry would buttress the National Power/PowerGen duopoly. It would be ironic indeed if a government which only last week highlighted its generosity in helping pensioners pay their beating bills adopted a policy which pushed electricity prices up.

MEPC hails a

strategic shift

# Bass tumbles after exceptionals

By John Willman and Scheherazade Daneshkhu

Bass, the brewing and leisure gronp, yesterday reported a higher-than-expected £177m (\$295.6m) write-down in the value of its chain of 131 Gala bingo clnbs where profits fell 22.6 per cent to £24m.

The write-down in bingo assets was one of three exceptional items totalling £237m which contributed to a 28.9 per cent fall in pre-tax profits to £477m for the year to September 30.

An injection which makes

varicose veins disappear and

drugs in airport lnggage

were among potential products outlined yesterday by BTG, the intellectual prop-

erty company privatised five

These and thousands of

bright ideas have lifted

BTG's market value from

£38m to £600m (\$1bn) since

floating in 1995. Three years

earlier, the government had agreed to a £28m manage-

ment buy-out after being

advised that there would be

limited interest in the

BTG was reporting results

for the six months to Sep-

tember. It made pre-tax

losses of £4.15m (profits of £170,000) on turnover of

The remarkable reassess

ment of the company's

worth reflects a rapid learn-

ing curve for investors. BTG

is a unique business and

finding appropriate yard-

sticks with which to value it

It was formed out of the

National Enterprise Board

and the National Research

Development Corporation

set up in 1974 and 1949

respectively, by Labour governments keen to promote British inventiveness and

worried by the exploitation

£12.1m (£22.46m).

has taken time.

The group is in negotia-

By Roger Taylor

years ago.

a venture capital group for about £250m. Sir Ian Prosser. chairman, declined to comment on the sale, or on speculation that the Coral bet-

ting shop chain was also on

the market. The group, which has gearing of 15 per cent and falling, has been under pressure either to hand money back to shareholders or make a big acquisition. Analysts estimated Bass could easily spend up to £2bn.

Sir Ian said he did not rule out returning money to

shareholders. But a survey

alising inventions by ensur-

ing they have adequate

patant protection and by

seeking backers willing to

But unlike patent lawyers

and consultants who charge

fees, BTG works on a contin-

gency basis, taking a share

of any revenues generated on patents. This approach

has made it attractive to

both lone inventors and mul-

tinational companies.

license and develop them.

tions over the sale of Gala to of its institutional sharehold- chief executive of Holiday ers had shown no pressure Hospitality, said the comfor a share buy-back.

However, be said the group wanted to expand in its three core businesses of brewing, pub operations and hotels - in each case outside the domestic market.

We are hoping to add to Holiday Hospitality [the hotels divsion] in Europe and Asia," he said. He added that the eco-

nomic crisis in south-east Asia could offer opportunities for Bass to pick up

botels in the region.

Market maintains its interest in BTG

Ian Harvey, chief executive (left), and Rusi Kathoke, finance director, with product samples

Its varicose veins treat-

ment was developed by a

Spanish doctor who has

already tried it on several

hundred patients. The injec-

tion, which is still to com-

plete clinical trials, would

replace operations.

The detection system for

screening baggage for drugs

and explosives was devel-

oped by King's College, Lon-

don, and has now been licensed to Vivid Technolo-

pany was looking at acquisitions but had been unable to agree on price. The scope for an acquisi-

tion was indicated by Richard North, finance director, who said the group's interest cover was 9.7 times. Bass would be happy to see interest cover fall to four times, he added, and was prepared to go as low as three times. Strong performances in

brewing and pub operations £714m on turnover up 2.8 per 8741/4p. Tom Oliver, chairman and

US, which has 70 per cent of

the market for screening air-

The shares have been

helped by the success of the

ics sectors, where investors havs been willing to back

lossmaking technology busi-

nesses. Its stock had the

added attraction of providing

exposure to a wide spread of different markets and tech-

biotechnology and electron-

line baggage.

cent to £5.25m. Bass contin ued to invest heavily in building its beer, puh and hotel brands, with net capital expenditure np 5.5 per cent to £599m.

The failed Carlsberg-Tetley venture led to a net loss of £35m on the sale of its 50 per cent stake. The group also reported exceptional reorganisation costs of £25m on the closure of breweries in Cardiff and Sheffield.

News of the write-downs sent the shares down 14p in raised pre-tax profit before early trading, but they exceptionals 6.4 per cent to recovered to end 1/2 np at

nologies. However, it bas

become a victim of the suc-

cess of tts most developed

product. Torotrak, a system

which is now licensed to

seven motor manufacturers,

with 12 others doing initial

Dresdner Kleinwort Ben-

son, the company's broker,

estimates Torotrak now

accounts for 55 per cent of

the company's valoe. If the

product were to run into dif-

ficulties the shares would

However, the outlook remained positive yesterday,

with the news that Ford and

Toyota are taking the sys-

tem into the next stage of

enough of its prospects to

pay dividends although it is

lossmaking. Broksrs are

forecasting a full year loss in

BTG's internal revenue

targets are far higher than most brokers forecasts. DKB

gives a central valuation fig-

ure for the business about 13

per cent below its current

share price, np 12%p at

But DKB assumes patent

income of £77m hy 2006.

BTG's own target is £140m.

although the projections from its various depart-

ments, when added together,

point to a figures closer to

£250m. If its own targets are

realistic, the shares are

excess of £7m (£2.73m).

The company is confident

development.

r making ge

development work.

## float value 'inflated'

nications subsidiary which is being floated pext week, have been overpriced by the company's financial advisers, according to independent research published yesterday.

The stockbrokers Lehman Brothers and BZW, neither of which are involved in the flotation, suggested prices of 180p and 243p respectively, compared with the indicative range of 250p-325p set in the pathfinder prospecins, published last month.

to be announced on Tuesday th conditional dealings starting in London and New York the same day. Energis plans to raise between £173.9m and

£227.6m (\$380m) most of which will be used to repay more than £200m of loans to the National Grid. Lehman Brothers said: "We believe that the UK

long-distance market is highly competitive at both the service and facilities levels and that this will restrict market share, margins and profitability for Energis." It goes on to point out

that Energis is the sixth largest UK operator in revenue terms but that while British Telecommunications and Mercury - now part of Cable and Wireless Commumarket share, there are several fast growing carriers in the UK of about the same size - including WorldCom, AT&T, NTL and ACC.

The new research implies a lower enterprise value for Energis than had been estimated. The pathfinder pric-ing implied an enterprise value of £737m-£941m, while James Dodd, analyst at Dresdner Kleinwort Benson, global co-ordinator for tha float, calculated a mean value of £1.3bn in October. BZW calculates an enter-prise value of £775m.

# **Energis**

day said the UK's third largest property company had Shares in Energis, the National Grid's telecommubegun a significant strategic MEPC has underperformed much of the property sector

in recent years, and bas been under pressure to improve returns to sbare-"What is new is the strategic changes we are making: the organisational changes, the out-sourcing of non-core

activities and the strength-ening of teams at board level", Mr Tuckey said. However, be conceded that the company had more work to do before satisfying its The offer price is expected critics. "We dont underesti-

By Norma Cohen,

**Property Correspondent** 

James Tuckey, chief

executive of MEPC, yester-

take in 1998 to complete the results." MEPC also reported a 20 per cent rise in annual pre- an open market value basis. tax profits to £167m (\$279m) It had also changed its yearbefore exceptional charges.

Net asset value rose 12.7 per cent to 507p before the provisions and 10.4 per cent to 497p after.

interest rate swap termina-

restructuring

UK portfolio.

tions and a £9.5m charge for

Of this, £4.9m relates to

staff termination costs at the

US and Australian busi-

nesses and £4.4m to the out-

sourcing of facilities for the

A £43m provision was

made against further

charges, mostly tax-related,

for the sale of the US and

Mr Tuckey declined to

specify the timing of those

sales, but analysts believed

that it was unlikely the Aus-

tralian business would be

sold before the end of March

1998, and those in the US

about three months later.

Australian businesses.

the way it valued properties in its development portfolio from net realisable value to end valuation date from Charges in the year to Sep- August 31 to September 30 to tember 30 included £73m for coincide with its fiscal year.

## Windward Cap to buy Morris Ashby

Antomotive Components investments, a vehicle recently formed by Windward Capital Partners of the US, bas made a £49m (\$81.8m) recommended cash offer for Morris Ashby, the

The move is part of Windward's strategy of investing in car component companies. It would allow Morris, which supplies Ford Motor

diecasting company.

and Volkswagen, to become part of a larger group supplying the international market. Windward has asked the

management to stay on. The offer follows Morris's announcement on Monday that it was in talks, which pushed the shares up 45p. They gained 7%p to 397%p yesterday. Windward bas received undertakings to accept the offer, at 400p a share, from directors with 38.8 per cent of the company.

## It specialises in commerci-RESULTS

	Tiéras	var (Ein)		-tax (2m)	8	S (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total las
Bass Yr to Sept 30	5,254	(5,109 )	477 <b>.</b>	(871)	28.2	(50.4 )	19.2	Feb 9	17.3	27.5	25
Stroningham City &	7.62	(7.34)	1.13	(1.87L)	2.52	(5.33L)	-	-		-	-
Blick Yr to Sept 30 *	75.1	(63.9)	12.9	(15.3)	29.08	(36.94)	9.5	Apr 1	9.5	14	14
STE 6 mets to Sept 30	8	(12.1 )	4.15L <b>Y</b>	(0.17 )	4.651	(0.13L)	-	-	-	-	0.88
28 Publishing Φ Yr tο Aug 31	12.3	(8.38)	0.615	(0.426)	12†	(10.7)					
Cariton Commis YY to Sept 30	1,750	(1,678)	316.3	(295.1)	33.2	(31.6 )	7.5	Apr 6	6.72	12.4	11.09
letamoy Estates 6 mins to Sept 30		(0.902	0.516	(0.175L)	1.9†	(1L.)	ηű		nii.	-	1,55
we 6 mths to Sept 30	44	(48.8.)	1.54	(0.75 )	10.4	(5.4)	23	Mar 20	1.5	-	4.5
irst Circle 6 mits to Sept 28	7.2	(8,19)	0.791L♥	(1.38L♠)	0.73L†	(1.33L)	2.5	P-4 -0	2.5	-	0.1 7
Subon 6 mths to Sept 30	17.5	(16.1 )	1.37	(0.776 )	8.5	(4.8 )		Feb 12	1.07	-	3.854
WIR 6 miths to Sept 30	35.2	(31 )	6.07♥	(4.764)	3.91	(3.7)	1.3	Jan 12		•	****
leal's Yr to Sept 13	24.2	(19.4 )	1.54	(1.8)	1.21	(15.9 )	3.2	Feb 25	:	3.2 ·	
leath (Samuel) 6 mths to Sept 30	5.13	(4,73)	0.405	(0.286 )	9	(B.4 )	3.5	Mar 27	3	-	7
eligibilitie 6 miths to Sept 30	9.66	(3.13)	0.818	(0.281 )	3.41	(27)	0.4	February	•	•	-
otheryting \$\Phi ===== 6 miles to Oct 31	0.805	(0.684)	0.071	(0.056)	0.04	(0.03)	-	-	-		
overall (YJ)	226.7	(254.3)	1.54L	(11.BL♥)	7L	(32.5L)	nA.		O.	nii	nii
NEPC YY to Sept 30		$(390.9\Box)$	84.1	(140.2)	13.2	(22.9)	14.75	Feb 4	14.75	20	20
Micro Focus 9 mits to Oct 31	66.7	(52.3)	9.01	(8.37L)	40.3	(57.7L)				•	•
torris Ashby 6 mins to Sept 30	23.8	(18.8 )	2.42	(1.3)	14.9	(8.1)	3.5	Jan 9	28	•	9.5
etais 6 mathe to Sept 30	17, <b>6</b>	(126)	1.87	(1.3)	1.67†	(1.42)	0.35	Feb. 27	0.3	-	1.27
eiligetti	11,6	(5.22)	1.1	(0.403)	0.92†	(0.9)	nii	-	nii	-	តា
EC Yr to Sept 30	73.2	(59.7)	3,3	(26)	12.79†	(11.2 )	2.85	Jan 30	2.75	5,1	4.75
utson Harbour of 6 miles to Sept 30	1.63	(IA)	0.421	(0.22 )	4.22	(3.62)	1.3	Jean 9	1,2	-	3.4
GI 6 mths to Sept 30	25.2	(25.5)	1,14	(1.01)	4.1	(3.9 )	1.2	Jan 30	1.15	-	3.5
K Land 6 mins to Sept 30	1.20	(1.41□ )	0.3	(0.672 )	3	7)	-	-	•		. 3
westment Trusts	MA	V (p)	- Attrib Estados	miritie ps (Erm)	9%	S (p)	Current payment (p)	Date of payment	Corresponding dividuad	Total for year	Total fas year
unedia Enterprise 6 mits to Oct 31	309.8	(294.74)	1.55	· (1.26 )	6.49	(5.27 )	2.25	Jan 30	2		9.1
esning indian	59.9	(47.7)	0.495L	0.2441	0.54L	(0.271.)	-				nd
election 6 mins to Oct 31	-	(-)	9.7002	(-)		(-)	1.4₹	Dec 31	1.4		10.25
enderson High Inc 9 mins to Sept 30	_	£)		ŀί	_	ίí	1.7§	Jan 31	1.6	_	6.45
es 3 mits to	_	(-)	_	ί.		èί	3.25	Jan 13	3.15	_	14

# IT stocks jump on index proposal

By Paul Taylor

Shares in information sector will be made into a technology companies separate industry surged yesterday after the at the end of 1998." announcement that an index covering UK-based IT companies quoted on the London Stock Exchange is to be introduced, possibly at the end of next year.

Among the leaders, shares in Sage Group, Sema Group and CMG were up between 4 and 6 per cent.

sub-sector within the Sup-

Mark Makepeace, manag-ing director of FTSE Interna-Under the proposals, 6 tional, which manages the and is owned by the Financial Times and the London Stock Exchange, said: "As IT

it is probable that this subseparate industry category

The valuation of IT companies on the Official List is little more than 0.83 per cent of the FTSE All-Share index below the 1 per cent gener-

ally regarded as the smallest percentage for introducing a separate category. However, the committee noted that since the sector was growing The committee which rapidly, it would review the oversees share classifica- situation again in 1998. The tions will create a separate decision was applauded by companies in the sector, port Services category for IT fund managers and investors who have long campaigned

Under the proposals, 62 IT companies, including a numbenchmark UK sbare indices ber involved in the computer software and services industry, will be placed in the sub-

**PUBLIC NOTICE** 

## OFFICE OF FAIR TRADING Glaspak - notification of a compliance

scheme

The Producer Responsibility Obligations (Packaging Waste) Regulations 1997 ('the Regulations')

(Packaging Waste) Regulations 1997 ("the Regulations")
Under these Regulations, certain businesses have obligations regarding the
recovery and recycling of packaging. They can either act alone to meet the
requirements of the Regulations, or join a registered scheme which will
assume this responsibility for its members.

The Director General of Fair Trading has a duty to undertake a competition
scrutiny of all compliance schemes prior to their registration with the
Environment Agency or the Scottish Environment Protection Agency.

The Director General has received a submission concerning the operation
of a new scheme set up by the UK glass packaging industry to be known as
Glaspak (the Glaspak Scheme\*). The Glaspak Scheme will be operated by
Glaspak Limited and will be open to glass packaging manufacturers carrying
on business in the UK.
Glaspak is also notify to several appearance to cause line of the site of the control of the UK.
Glaspak is also notify to several appearance to cause line of the control of the

on business in the UK.
Glaspak is also party to several agreements, to come into effect if Glaspak is registered as a scheme, twolving the glass recycling and recovery organisation Glasmo Limited. These agreements (the Glasmo Agreements') concern the supply of Packaging Waste Recovery Notes ('PRNs') by members of the Glaspak Scheme to Glasmo Limited and the subsequent sale of PRNs to third pardes. The Glasmo Agreements are also subject to competition scrutiny by the Director General.

If the Director General finds that either the Glaspak Schame or Glasmo Agreements raise competition concerns, the Director General may have to assess whether the effect of any restrictions on competition are greated than is necessary for achieving the environmental or conomic benefits mendated in section 93/61 of the Emirronment Apr 1995.

assess whether the effect of any restrictions on competition are greater than is necessary for achieving the environmental or economic benefits mendoned in section 93(a) of the Environment Acz 1995.

The Director General invites commonts from interested third parties on the Gisspak Scheme and this Gissmo Agreements and particularly on the environmental or economic impact of the Gissmo Agreements concerning

eterironmental or economic impact of the Glasma Agreements concurring the supply and sale of PRAs.
They should be addressed to:
David Blodesidge, Offica of Fair Trading,
Compesition Policy Division, Field House,
15 - 25 Bream's Buildings, London EC4A IPR
Tet 0171 2(1) 8953
Please contact Mr. Blodesidge If you require further information on either the Glaspak Scheme or the Glasmo Agreements. To ensure comments are considered in this consultation shey should arrive at the Office by
5 january 1998.



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ategic shift

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Diaries

## INTERNATIONAL CAPITAL MARKETS

# Europe awaits central bank meetings

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

European bond markets fell slightly yesterday, giving up some of the gains achieved in Tuesday's sharp move forward, as investors stayed on the sidelines ahead of central bank meetings today in the UK and Germany.

However, analysts said there was little likelihood that the Bank of England or the Bundesbank would adjust their interest rate policies this week.

This combined with continued etrength in the US bond market, where the long bond yield again threatened Andrew, gilts specialist at future sett to break below 6 per cent, to Merrill Lynch. "It'e in the 0.05 lower.

in Europe to a minimum. UK GILTS were the weakest European market, with

the March contract settling 計 lower at 119號 in quiet trading. The Bank of England is expected to wait to assess Christmas spending trends before considering another rate rise but investors were anxious yesterday to avoid being exposed to any pre-emptive move, as happened with last month's 25 basis point rise.

"It's a close call on whether the Bank will raise rates, and many participants are fairly reluctant to take big positions ahead of the monetary policy committee decision," said Steven

help keep yesterday's retreat back of the market's mind traders do not want to leave surprise."

That, and next week's data on producer prices and manufacturing output, which will also have a bearing on interest rates, continue to weigh on the market, "Given the stage of the monetary cycle we're at, gilts are very sensitive to any data that comes out," Mr Andrew said. GERMAN BUNDS edged

down ahead of today's Bundesbank meeting, with other European markets following. The December bund future settled in London at 104.22, future settled at 103.52, also

themselves open to such a pre-emptive strike. Most the current buoyancy of the analysts said a rise was unlikely because it was not justified by domestic eco-

nomic factors. While short-term maturilysts said any move would not do too much damage to the fundamentally positive outlook for bunds at the

new contract high in early afternoon the benchmark trading on strong overseas buying interest.

The December future ended in Paris flat at 100.54.

TE US DOLLARS

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E PRENCH FRANCS

A LUXEMBOURG FRANCE

New international bond issues

6.00

Dec 2 # UTILITIES Pec Bell NY Tel CWE

that the Bank could act in a whether the Bundesbank paper were expected to go pre-emptive way again, and needed to raise rates, or well because of the light volwould come out with a time of the transactions and

> SPANISH BONOS marked time in line with bunds. The December bono contract settled at 105.21, down 0.11, in ties continue to discount active trading as auctions of central bank tightening, ana-five-year and 15-year paper

> US TREASURIES moved higher in the busiest trading long-term issues gaining the FRENCH OATS were most as the long bond yield unchanged after setting a continued to fall. By early 30-year bond was up H to 101%, sending the yield down to 6.012 per cent.

> Ten-year notes rose is to Auctions today of French 1024, yielding 5.825 per cent,

Debate continued on franc and Ecu-denominated while two-year notes gained å to 99th, yielding 5.743 per cent. The Federal Funds rate was at 5% per cent.

"It looks like we are gearing np for a break through the 6 per cent level," said William Gamba, manager of bond trading at Cowen & Co in New York.

The bond market has gained momentum in recent sessions, with overnight buying from overseas markets as well as domestic retail buying belping to push bond prices higher.

New data on home sales helped to firm up bonds. The figures showed the market having stabllised, with recent downturns in sales. Home sales in October fell by 1.7 per cent, after a 2.5 per cent rise in September.

CAPITAL MARKETS NEWS DIGEST

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CORRECTION

# World Bank in \$200m add-on

The World Bank has issued a \$200m add-on tranche to its recent five-year dollar bond. Yesterday's eurobond column misidentified this as being issued by Russia.

The World Bank add-on, which was lead managed by SBC Warburg, was priced at a spread of 15 basis points over five-year Treasuries, compared with an initial launch spread of 20 basis points.

RUSSIAN INVESTMENT FUND

## Swedbank in link with Brunswick

Swedbank, one of Sweden'e biggest financial services groups, has joined forces with Brunswick Capital Manage ment, a specialist in Russian equities, to launch a fund investing in Russian blue-chip companies and aimed at Swedish retail investors.

The open-ended mutual fund will be launched in Sweden in the second quarter of next year, will be denominated in Swedish kronor, and will be able to be traded daily. It will be managed by Robur Kapitalförvaltning. Swedbank's asset management arm and the leading Swed ish retail fund management group, with Brunswick acting as adviser. The launch of the new fund marks the first time Robur has co-operated with an external adviser. Swedbank and Citibank, its correspondent bank in Moscow, are to act as custodians.

The size of the fund will depend on market conditions but is expected to be about \$100m. Its strategy will be to invest in Russian blue-chip and liquid second tier stocks. Martin Andersson, Brunswick chief executive, said that in spite of the recent correction in the Russian equity market, the economy's return to growth meant the market had "significant upside potential over the coming years"

■ CREDIT RATINGS

INTERNATIONAL BONDS

ME HURO FIR

## Fitch IBCA to harmonise

Fitch IBCA, the recently merged credit rating agency, yesterday announced it was barmonising differing credit ratings to complete the tie-up between the two. The new rating agency, the world's third largest after Moody's Investors Service and Standard & Poor's, said it was upgrading 20 ratings and downgrading a further nine. Eight remain on RatingWatch for possible change.

The agency, which is thought to have combined annual ncome of more than \$100m, also said it was adopting the Fitch nomenclature for short-term ratings. Short-term ratings are therefore on the scale of F (F1, F2, etc) as opposed to A.

AA 101,4800 AA 103,5000 A 117,5600

9.125

# Rarity value boosts demand for Sardinia

## INTERNATIONAL BONDS

By Edward Luce

Investors were again offered a range of rare borrowers and unusual structures yesterday but there was little to suggest the mainstream market would spring back to life

SARDINIA's \$460m issue attracted most attention as the first conventional eurobond to be offered by an Italian region. Both Sicily and Tuscany have repackaged domestic deals for the eurobond market but Sardinia is the first to launch a bond as an on-shore borrower.

At a spread of nine basis

Chase Manhattan, lead manager, said the 20 per cent risk weighting on the bond had made It attractive to banks across Europe. The rarity value of the borrower

had also boosted demand. Lazio, the Italian region that includes Rome, is also planning to make a eurobond debut in the near global medium-term note programme last week.

AMBROVENETO, the Italian bank, also made its debut with a \$400m 10-year floating-rate note.

The offering, proceeds of points over Libor and 11.5 which will go towards basis points all-in, the Ambroveneto'e acquisition 10-year deal was viewed as of Cariplo bank in January, relatively expensive by some was the first upper tier two

a five-year deal," said one subordinated eurobond by a bank since the market crisis However, an official at in late October. "The success of this deal is very reassuring for the secondary markets," said an official at BZW, joint lead with UBS.

Ambroveneto was allowed under Italian regulations to give the bond a fixed maturity as opposed to the perpetual maturity standard on eubordinated issues elsewhere in Europe. Officials future, having signed up to a said the attractive spread - global medium-term note 95 basis points over Libor at re-offer - "reflected market conditions".

The WORLD BANK followed up its \$200m add-on on Tuesday with a L300bn "reverse floater" yesterday. The 12-year bond, which comes hard on the beels of a similar lira-denominated transaction by the EIB last

First terms, non-callable unless stated. Yield apread (over relevant government bond) at launch supplied by lead menager, a Floating-rate code. R: fixed re-offer price; less shown at re-offer level, a) Amortises from June 66: average life 5.8 yrs. e1) 6-min Libor +85p. b) 3-min Libor +85p. b; 3-min Libor +85p. b; Repaidinged investment grade bonds. Callable from 28/8/04 at par. c1) 3-min Libor +85p. b) 6-final Libor +85p. b) 1-min Libor +85p. b)

conpon of 15.5 per cent minus twice Libor. The structure is designed

down to 7 per cent until the initial coupon followed by a bond. But syndicate officials fourth year. Thereafter it bet that European interest will switch to a floating-rate rates will remain low and stable after monetary union.

Elsewhere, TELEFONICA, the Spanish telecoms company, was rumoured to be take any great risks with mulling a five-year dollar that kind of window."

US CORPORATE BONDS

01/07

said there was little else on "There's basically a week

and a bit left of this year," said one. "No-one's going to

+0.04

		the type of description					Italian e first	
WORL	D BON	PRICES						
ENC	IMARK	GOVERNI	MENT B	OND	s	_		BOND FUTURES AND OPTIONS
c 3	Fled Date	Coupon Pris	d Bid	Day chg yield	Wk chg ylatd		Year chg yld	France
stralia	03/99	6.250 101.2		J	+0.15			M NOTIONAL FRENCH BONE FUTURES (MATIF) FF/500,000
	10/07	10.000 127.6		-0.07	+0.14	+0.14	-0.84	Open Sett price Change High Low Est, vol. Open int
untrick	09/93	7,000 104,1 5,825 100.8		+0.02				
dgisen	04/99	7.000 103.5	600 4.28	+0.03		-0.12		Jun 99.50 99.48 +0.02 99.50 99.50 2 12
	03/07	6.250 104.8			-0.05	-0.22		044
made	03/99	4.000 89.5 7.250 112.4		-0.03		-0.02		Dies to The star to The star
rımerk	12/99	6,000 102,3		+0.03		-0.10		96 3.98 3.48 3.57 - 0.01 0.12
	11/07	7.000 108.1			-0.05	-0.27	-0.60	98 1.98 1.53 1.88 - 0.07 0.42
dand	Q1/99 Q4/06	7.250 110,8		+0.01	+0.01	-0.12 -0.18		99 0.98 0.71 1.20 - 0.23 0.72 100 - 0.19 0.67 0.02 0.71 1.15
ince	11/99	7,000 104,8	200 4.34	+0.04	+0.01	-0.06		
	10/04 10/07	8.750 108.9 5.500 106.6		+0.02	-0.04	-0.18 -0.22		
	10/25	8.000 100.8			-0.08	-0.30		Germany
meny	06/99	3.500 98.9		+0.02		-0.01	+0.82	
	07/04	6.000 104.1		10.09	-0.04 -0.05	-0.11 -0.21	-0.02 -0.18	. Open Sett price Change High Low Est, vol Open Int Dec 104.34 104.22 -0.05 104.39 104.08 164168 149747
	07/21	6.500 107.0		-0.01	-0.10	-0.27	-0.51	Dec 104.34 104.22 -0.05 104.39 104.08 164168 149747 Mar 103.63 103.52 -0.05 103.68 103.38 135431 124820
land.	04/99	6.250 101.2 8.000 114.7		+0.06	-0.09 -0.10	-0.18 -0.31	-0.56 -0.70	
<b>y</b>	05/00	8,000 101,9	900 5.12	+0.03	-0.01	-0.26	-1.31	IN BUND FUTURES OPTIONS (LIFTE) DN050,000 points of 100%
	05/02 97/07	6.250 103.21 6.750 106.81		+0.03	-0.03 -0.07	-0.26 -0.34	-1.37 -1.85	Price Jan Feb Mer Jun Jen Feb Mer Jun
	11/26	7.250 112.6	900 6.29	+0.01	-0.13	-0.37	-1.75	10350 0.40 0.68 0.90 1.07 0.38 0.68 0.88 1.75
<b>198</b>	06/99 12/02	4,800 105,6 4,800 117,3		+0.04	+0.13	+0.01	-0.27 -0.50	10400 0.19 0.45 0.88 0.87 0.57 0.93 1.14 2.05 10480 0.07 0.28 0.47 0.71 1.05 1.26 1.45 2.39
	09/05	3,000 109,3	1.71	-0.07	-0.08	+0.03	-0.67	Est. vol. total, Calls 7150 Puts 13952. Provious day's open etc., Calls 117836 Puts 122474
the de .	03/17	3,500 113,57		-0.06	-0.07	-0.11	-0.61	
thertand	06/99	7,500 104.50 5,750 102.40		+0.04	+0.08	-0.20	+0.91 -0.18	II NOTIONAL GERMAN BUND (BOBL) FUTURES
w Zesty		8.500 98.00		+0.03	+0.07	+0.07	+0.20	(DTE) DM250,000 100ths of 100%
	11/08	8.000 108.3		+0.02	+0.06	+0.07	-0.22	Open Sett price Change High Low Est. vol Open Int Dec 104.33 104.17 -0.12 104.38 104.07 139,158 163,388
rway	01/09 01/07	8,000 105,06 6,750 108,2		+0.02	-0.08 -0.04	-0.18 -0.24	-0.18 -0.57	Dec 104.33 104.17 -0.12 104.38 104.07 139,158 163,386 Ner 103.60 103.50 -0.00 103.67 103.39 71,575 101,263
tugal t	03/99	8,500 104,43		+0.01	-0.03	-0.27	-1.34	
n n	02/07	7,400 104,15		+0.02	-0.06	-0.25 -0.22	-1.07	M NOTIONAL GERMAN BOBL FUTURES (LIFTE)" DM250,000 1000% of 100%
	03/07	7.350 111.35		+0.02	-0.04	-0.29	-1.14	Open Sett price Change High Low Est. vol Open int
eden	01/99 08/0?	11.000 100.10 8.000 112.90		+0.04	+0.04	+0.10	+0.27 -0.74	Dec 104.19 104.00 -0.11 104.18 103.92 7,963 9,286 Mar 103.46 103.39 -0.09 103.50 103.33 2,801 8,088
itzerland		4,000 102.75		-0.01	-0.27	-0.29	-0.38	
	08/07	4,500 107.82	20,62	+0.01		-0.09	-0.37	Italy
	11/04	6.000 98.25 6.750 100.75		+0.02	+0.03	+0.01	-0.46 -0.55	HOTTONAL ITALIAN GOVT, BOND (BTP) FUTURES (LIFFE) Ling 200m 1000ms of 100%
	12/07	7.250 105.54	6.49	+0.02	-0.05	-0.09	-0.84	Open Sett price Change High Low Est. vol Open int.
	06/21	8.000 119.24 5.875 100.13		+0.04	+0.02	+0.07	-1.05 -0.18	Dec 114.22 114.05 -0.09 114.40 113.97 18345 25537
	05/04	7.250 107.47	28 5.84	_	-0.02	-0.08	_	Mar 114.69 114.47 -0.15 114.92 114.95 45740 98414  B ITALIAN GOVT. SOND STIP: FUTURES OPTIONS (UFFE) Linz200m 100ths of 100%
	08/07 08/27	6.125 102.11 6.375 104.26		+0.02	-0.02 -0.04	-0.07 -0.15	-0.23 -0.30	Strike CALLS PUTS
y T	03/99	5.000 100.39		+0.03	+0.02	-0.05	-0.57	Price Mar Jun Mar Jun
don alexa	04/07	5.500 99.58		-0.01	-0.08	-0.24	-0.41	11400 1.25 1.72 0.78 1.25 11450 0.87 1.45 1.00 1.49
is: Local	rg, "New York t market expedie er cont movebl	tiic-cal) d/Annualleed yiel e by richtealdert	d beets. Yield:					11500 0.73 1.22 1.26 1.75
								Est. vol. sotal, Calla 876 Pula 712. Previous day's open int., Calla 25001 Pula 29408
YEA	R BENC	HMARK		D\$		Special	-	Spain
3	Bid	Spread Spread			Bki	Spreed V3	Spread VS	M NOTIONAL SPANISH BONO FUTURES (MEFF)
ratio	6.17	+0.75 +0.84	New Zeal	and	Kiekt 8,72	+1,30	T-Bonds +0.89	Open Sett price Change High Low Eat. vol. Open int. Dec 105.35 105.32 -0.12 105.40 105.08 81,986 102.283
ria Nam	5.51 5.58	+0.09 -0.32	Norway	-	5.67 5.79	+0.15	-0.26 -0.04	Mar 104.94 104,87 -0.13 104.94 104,85 3,870 9,098
ncia Trank	5.53 3.89	-0.11 -0.30 +0.47 +0.06	Spain		5.73 6.18	+0.31	-0.10 +0.35	B NOTIONAL IN COLT ESTRIBED A PETER CENTROL CALLED
nd	5.50	+0.17 -0.24	Switzeria	nd	3.51	-1.91	-2.32	NOTIONAL UK GILT FUTURES (LIFFE)" 250,000 32nds of 100%  Open Sett price Change High Low Est vol Open int.
neny	5.42 5.42	0.41 0.41	US		6.49 6.83	+1.07	+0.06	Dec 119-15 119-05 -0-05 119-18 118-31 15387 54512
nd.	5.79 5.81	+0.37 -0.04	Source: N					Mar 120-04 119-24 -0-08 120-08 119-16 66509 149425
in <del>iirliinds</del>	1.71 5.40	-3.71 -4.12 -0.02 -0.43	Lander o	losing.	New York			Strike CALLS PUTS
								Price Jan Feb Mar Jun Jan Feb Mar Jun
ERG	ING MA	RKET BO	NDS					119 1-10 1-36 1-68 0 0-26 0-52 1-10 14-56 120 0-37 1-00 1-22 0 0-53 1-16 1-38 15-56
	Red	SAP	Bid	Bld	Chge	onge chge	Sprd vs	121 0-17 0-38 0-59 0 1-33 1-64 2-11 15-55
8	date Co		price	yield	yid	ykt	US	Est. vol. 1916, Calle 2006 Puts 2550. Previous day's open let., Calls 38706 Puts 19691
EUROP								
nd nd		7.000 BBB- 7.750 BBB-	94.5887 102.8193	6.51	+0,24 -0,35	+0.30 -0.18	+2.75 +0.73	Ecu
ska .	11/01	0.250 BB-			-0.53	-0.33	+4.48	ECU BOND FUTURES (MATIF) ECU100,000
	MERICA	100	Same Land	i. e. 🚉			4 1 2 2	Open Set price Change High Low Est. vol. Open int. Dec 99.68 98.56 -0.04 100.00 99.56 680 8.643
entine. J		1.375 BB 3.875 BB-	98.6258		+0.03	-1.83 +0.59	+4.50 +3.51	Dec 99.88 98.56 -0.04 100.00 99.56 680 8,643 Mar 99.78 99.30 -0.04 99.78 99.78 1 979
íco			04.5000		+0.26	-0.30	+3.30	
ASIA								US
anioss.		7.750 (888+ 1	05.9612 91.9681		-0.09 -0.40	-0.64 -0.47	40.96 43.90	III US TREASURY BONO FUTURES (CBT) \$100,000 32nds of 100%

6.61 8.79 7.94 8.08

+0.02

-0.45 -0.45 -0.07 -0.35

WMX Tech	04/98		A-	P9.5		3.59 +0.02		+0.84	,1	F EURO L	IRA :								
Wal Mart Dayton Hud	05/02		AA BBB+	101,8		5.23 -0.01 7.12 -	+0.07	+0.41	E	-		02/07	7.000	***					
		0,75			7 -					abey Nat at Dienny		08/02		MA m/a					
HUNC	04/07	7.14	NA	106.8		k.14 -	+0.03	+0.23		bey Nat F	FBN	03/07	8.000		104.1389				
SLMA	03/00	7.50	NA	103.2		.92 -0.01		+0.14		EURO E	· ·								
FNMA	02/15		NA	12R.3		.A2 -	-0.11	+0.39	EI			12/07	7.625	***					
FFCB	06/96	8.95	NA	118.2		L15 -0.01	+0.04	+0.30	RE	wsdner Bk 38		12/07	7.750 8.375	AA- A+	103.5412				
A RICH ALET									Ab	boy Nat F	PIN	02/02	7,630	- **					
Stone Cont AK Sti	12/01	9.88	BB-	103.2		1.00 -	: :			EURO S	.i.,		=	٠.		٠	•		
Pacerta	06/04	10.75	B-	99.1		.00		-	8			04/07	7.250	***	108.9577				
New York closing.					Source	Interactive D	ace/FT Into	matter.		N Anno		08/07	7.125	*	103.9533				
Standard & Poor's	INC.	Yleide: #4	HIN BEEN	ari irane.						COM FRIN		02/04	5.938	A+	89.6764			-0.08	
										EURO C	\$			4			·		$x \in \mathcal{M}$
			_							yer L-Elk		08/04	8.500		119.9560				
US INTER	EST	RATE	S							Fonto il Canada		05/04	8.500 10.625	AA+	108,0770				
Latest				Treesa	y Bills a	nd Bond Yh	elclis			uteche S	ŦΝ	08/02	5.875	AAA	101.6773		-0.03		
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Broker lass rate			Hepsell.		5.24	Pine year		. 5.80 5.82		orld Benk		03/02	5.250		117.4000				
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WK DONE				_	-							_	_		-				_
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FTSE AC	tuar	ies (	Jov	t Se	CULL	ties											1514	- Basel	iooo
Price Indices		Wed		ey's	Tue	Accruse	a bx t	fi.		Love	COLED	an via	H 14	-Lim	oupon y		UN	Ind	IC62
UK GITS		Dec 3		nge %	Dec 2	interest			'	Dec 3	Dec	2 Yr.	ago De	c 3 D	ec 2 Yr.	ago f			Yr. ago
1 Up to 5 years		118.75		0.00	119.76	1.65	10.3	9 5 yr	-	6.66	6.68		08 8.				8.82	9.82	7.15
2 5-15 years (2 3 Over 15 years		158.41			158.61	1.55	11.8		73	6.51	6.48	7.	50 6	46 E				8.52	7.53
3 Over 15 years 4 imadeamables		228.99			188.75 230.68	0.91 1.30	14.1			6.51 6.55	6.50			64 E	41 7.	50 (	8.55	6.51	7.57
5 All Stocks (47		148.45			149.54	1.53	11.8		1	0.00	0								
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TUp to 5 years Over 5 years		211.50			211,49 215.88	1.06	5.76		5			.17	3.09		2.45	2.45	2.43		
6 All stocies (12)		214.25			14.34	1.41	5.78	CVE	6 yı	3.0	AS 3	.07	3.44		2.88	2.87	3.24		
Average gross reds	пресо у	icids are	ehown.	above. Oc	upon Be	ndic Low: 0	%-7%%; N	Andrew !	9%-10	PANC Histo	11% =	nd Own	1 Ret w	-	V	_			
													. , y	oa. yea	see to m	Je.			
FT Fixed in	terest	Indic	es																
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-Latest -- - Prev. Class -- 1.6845 1.6805 1.8761 1.5772 1.5734 1.6655 1.6521

Day's Mid high low

(Sch) 20,9543 -0,0556 445 - 640 21,0598 20,8304 20,8864 3.8 20,7589 3.7 20,2396 3.4 (BFr) 61,4287 -0,1804 768 - 806 61,7420 61,3730 61,2142 4.2 60,8295 3.9 50,2783 3.5 (DKr) 11,3364 -0,0259 313 - 414 11,3919 11,3266 11,3004 3.8 11,2348 3.6 10,9722 3.2 (FM) 9,0665 -0,0283 632 - 700 10,0169 9,9567 9,9322 4.1 9,8694 3.9 9,5127 3.5 (DM) 2,9777 -0,0077 784 - 790 2,9935 2,9749 2,986 3.9 2,9463 3.9 2,8733 3.5 (DV) 457,148 -1,036 588 - 707 469,350 486,541 469,457 -5.9 474,857 -6.7 491,855 -3.3 (E) 1,1442 40,0015 431 - 453 1,1455 1,1421 1,2 1,14 1,5 1,1175 -2.3 (L) 2919,82 -5.3 691 -033 2680,26 2913,82 2913,23 1,4 2907,2 1,5 2850,54 23 (L) 671 3,3556 -0,0086 540 - 572 3,3727 3,3527 3,344 41 3,3282 3,9 3,2873 3,5 (NKr) 12,0391 -0,0665 313 -468 12,1856 12,0309 11,997 4.2 11,924 3.9 11,643 3,3 (E) 304,180 -0,804 605 - 584 305,212 30,880 303,546 2.5 302,185 2.6 295,242 2.9 (Ph) 251,600 -0,762 500 -700 252,720 251,300 251,06 2.6 289,4 2.7 244,09 3.0 (SKr) 13,0553 -0,0448 472 - 634 13,1138 13,0274 13,0199 3.3 14,904 3.1 1,4572 3.0

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† Rutes for Dog 1, Bidfoffer apresses in the Pound Soot table show only the last three decimal places. Sterling Index calculated by the Bank of England, See sersing 1930 w 100, Index released 12/95, Bid, offer, India spot rates and forward rates in both this and the Dollar table are derived from THE WM/RELITERS CLOSING SPOT and FORWARD RATE services. Some values are counted by the FL.
The decharge rates private in this table are also available on the internet at https://www.FT.com

4.848 1.863 2.827 1.009 2.966 1.148 1 0.384 2.603 1.02 0.099 0.887 0.341 2.473 0.950 0.979 0.376 1.184 0.455 2.281 0.876 1.239 0.476 2.978 1.144 1.247 0.479 1.766 0.679 1.375 0.528 1.983 0.762

Low

0.5625 0.5655

Three months

Up to 1 1-3 3-6 6-9 9-12 month month month months months

5

92.27 92.21 92.25 92.36 92.52

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4751 5.463 2575 2.960 2928 3.367 980.1 1.127 2551 2.933 100 0.115 869.8 1 2424 2.787 959.5 1.103 1160 1.334 2236 2.570 1214 1.396 2918 3.359 1222 1.405 1733 1.863 1347 1.549 1943 2.234

Est. vol Open Int.

17,669 68,971 2,228 9,863 1 4,109

43,829 7,222 1,293

4

155799 123619 107567

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1.670 1,680 1.690

Strike Price 0.560 0.565 0.570

Dec Mar Jun

Strike Price

PUTS

0.16 0.31 0.54

12,583 2,509 4

MARKETS REPORT

age to bail out the country's tinent.

economy. South east Asian

currencies also bounced

prematurely announced it.

global forex research at

It reduces the need for a sav-

gists said the package would

allow Korea's indebted

least to finance their

However, they warned that much of the detail of

short-term debts.

Dec 3

banks and companies at Bec 3

POUND SPOT FORWARD AGAINST THE PO

CROSS RATES AND DERIVATIVES

18.45 10 11.37 3.807 6.908 0.388 3.378 9.419 3.727 4.506 8.663 4.715 11.34 4.748 9.732 5.234 7.548

Lstest Change High 0.5648 +0.0020 0.5663 0.5678 +0.0021 0.5685 0.5690 +0.0006 0.5700

0.6950 -0.0001 0.7008 0.7061 -0.0001 0.7078 0.7135 +0.0001 0.7135

gring bank base lenging rate 7% per cent from Nov 6, 1997

2<sup>1</sup>2

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16.22 8.792 10 9.341 9.711 0.341 2.970 8.279 3.271 7.634 4.146 9.967 4.174 5.919 4.601 6.636

Dec 3 BFr DKr FFr

54.18 81.83 20.63 53.69 2.105 18.91 51.02 20.18 24.42 47.05 55.55 61.43 25.73 36.48 28.36 40.90

0.5648

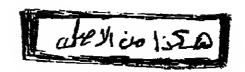
UK INTEREST RATES

LONDON MONEY RATES

**EXCHANGE CROSS RATES** 

By Simon Kuper

3.30 6.75 6.03



CURRENCIES AND MONEY

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**BASE LENDING RATES** Exeler Trust Limited 8.25 Financial & Gen Bank 8.00 @Robert Fleming & Co7.25 Action & Company Allied Irish Bank (GB) 725 Cuinness Mahon 7.25 725 Bank of Cyprus Bank of Insland 7.25 7.25 7.25 Brit Cik of Mild East 7.25 George Stephy & Collet 7.25 Brit Sk of Alid East Ciliberik NA 7.25 Ciydeschie Bank 7.25 The Co-operative Bank7.25 Lloyds Bank Midland Bank NetWestmaster Courts & Co 7.25 Cyprus Popular Bank 7.25

•Singer & Frediender 7.25 •Smith & Williamson 7.25 Habib Bank AG Zurich 725
Habib Bank AG Zurich 725
Heritable & Gan Inv Bk.725
C. Hoare & Co. 725
Whitspeep Laidies 725
C. Hoare & Co. 725
Vorietine Bank 725 C. Hoere & Co. 7.25
Hongkong & Shenghal 7.25
Invested Bank (UK) Ltd7.25
Julian Hodge Bank 7.25
Bloods Bank 7.25
Lloyds Bank 7.25 7.25 7.25 eRea Brothers 7.00 Royal Bk of Scotland 7.25 Scotlish Widows Bank 7.25

Korean deal cheers Asian the package was as yet the dollar at Y128.6. unknown, and that it The D-Mark firmed after remained to be seen whether the second Bundesbank it would be fully imple- council member in two days The South Korean won mented. They said Asia's emphasised that a weaker surged yesterday from financial crisis might not be currency could prompt a

record lows, after Korea and over yet, given the various rate rise Ernst Welteke yesthe International Monetary political and economic terday said that another rise Fund agreed a \$55bn pack- doubts surrounding the con- in rates was not on the agenda, but warned that a The won, which had strong rise in the dollar slumped to 1,290 against the could change the situation. when the deal was signed, dollar early in the day, His colleague Reimut three days after Korea had jumped to 1,195 after the Jochimsen had said much deal. That was 2.7 per cent the same on Tuesday. A Joe Prendergast, head of above late Tuesday's levels. strong rise in German indusglobal forex research at trial production for October Credit Suisse First Boston in The news from Korea also helped the D-Mark. London, said: "This is a very buoyed the yen, which It gained 0.7 pfennigs significant package in terms largely shrugged off weaker against both the dollar and

of its size and its substance. than expected Japanese the pound to close at gross domestic product fig-DM1.768 and DM2.978 respec age won deterioration and ures for the third quarter. tively. But the so-called for a harsh, market-imposed The currency closed in Lon-"major" currencies were a discipline." Currency strate- don barely changed against sideshow yesterday. ■ Korea is the world's eleventh largest economy, as big IMF antibiotic, then another

package bring the end of the

19,90 495.2 409.6 21.25
10.82 268.3 221.6 11.52
12.08 305.2 252.4 13.10
4.043 102.1 84.49
4.05.2 265.8 218.9 11.41
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3.588 90.65 74.96 3.891
10 252.7 209.0 10.84
3.958 100 82.71 4.292
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9.222 233.0 182.7 10
5.008 126.5 104.7 5.430
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Open

0.798709 1906.48 163.828 5.85424 197.396 6.45863 7.34555 1.92573 39.7191 2.16979 13.5485

NON ERM MEMBERS Greece 295.200 UK 0.798103

Ecu central sites set by the European i Percentage changes are for Ecu; a pot between two spreads: the peccentage o currency, and the meximum permitted

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Dec Mar Jun

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continent's financial crisis any nearer? Currency strategists are so strong in Asian markets in recent months. No sooner as the stricken south east hits trouble and Asian Asian countries put stocks and currencies slide together. But does its bailout again. Asia appears to have

2.741 1.485 1.990 0.565 1.472 0.058 0.502 1.599 0.554 0.669 1.290 0.700 1.684 0.705 1 0.777 1.121

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1.528 0.882 1.003 0.336 0.874 0.034 0.298 0.831 0.397 0.766 0.418 1 0.418 1 0.462 0.462

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Latest Change

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**EMS EUROPEAN CURRENCY UNIT RATES** 

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E EUROGEARK OPTIONS (LIFTE) DM1m po

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programmes to solve its to do to us, make us poor and then ask us why don't you buy these things they want to sell to us."

Malaysia and India were ance with the measures. smaller players in the world economy than Korea, so that wary of saying so, partly any crises there should have because contagion has been E OTHER CURRENCES Dec 3

has one country taken the

1MF antibiotic, then another

hits trouble and Asian

stocks and currencies slide

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crises, strategists say. Des- limited global impact. Bnt mond Lachman, head of there were other problems. emerging markets research Some strategists predict that at Salomon Brothers in New China will rattle Asian mar-York, notes: "Malaysia has kets by devaluing, since so still to come up with credible many of its neighbours have. And Korea itself faces

problems. India is without a presidential elections in a government." Mahathir fortnight. Mr Lachman says Mohamad, Malaysia's prime there is still a worry that the minister, said yesterday: "Of winning candidate might try course it (the ringgit) is reneging on parts of the IMF going to go even lower. It's package. Kim Dae-jung, the what they (foreigners) want centre-left opposition leader, yesterday said he would refuse to sign any guarantee with the IMF because "it vio lated national pride," but he Mr Lachman noted that did signal general compli-

Rob Hayward, senior economist at Bank of America in London, said that if the IMF package prompted large corporate bankruptcies in Korea, the won could suffer on a day-to-day basis.

Mr Lachman summed up: "The Korean news is cer-

All Futures, Options

& Margined Forex

Contact: James Allan

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DOLLA	R SF	OT FO	RWAP	D AGAI	NSTT	HE DO	LLAR							III THE
Dec 3		Clearing mid-point	Change on day	Bid/offer spread	Day's high	zaid Tow	One m	onth %PA	Three m	9-PA	One year Rate		Morgan andex	Dec
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Drway	(NECr)			470 - 520	7.2499	7.1457	7,1342	2.5	7,1119	2,1	7 0345	1.6		Dec
ortugal	(Es)			590 - <del>6</del> 90	181.350		180.508	0.9	180.232	0.9	178.38	1.3		Mar
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weden witzerland	(SKr)			505 - 555	7.8012	7.7475	7.7425	1,6	7.7305	1.2	7,7025	0.7		Sep
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gentina	(Peso)	0.9998	-0.000t	996 - 998	0.9999	0.9997		-						Mar
82 i	(AS)			100 - 101	1.1105	1.1095		-						Sep
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exico (Ner	Peso)	8,1325	-0.021	300 - 350	6.1355	8,1295	8.2315	-14.9	8.4225	-14.3	8.2425	-13.6	-	E THRE
SA	(3)									-			108.6	
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atralia	(AS)	1,4792		782 - 802	1,4841	1.4716	1.4784	0.6	1.4758	0.9	1.4651	1.0	86.2	Mar
ong Kong	(HKS)	-7,7360		355 - 365	7.7405	7.7345	7,7485	-1.9	7.916	-4,1	8,121	-5.0	-	Jun
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861	(2) K)	3,5260		219 - 300	3.5305	3,5200	****	-:	100 75-	-:	4D4 6-			
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daysia.	(MS)	3.6583		535 - 630	3.8750	3.6030	3.6608	-0.8	3,6758	-1,9	3,7933	~3.7	-	Dec
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udi Arabia	(SF)	3,7506		505 - 506	3,7508	3,7503	3.7519	-0.4	3.754	-0.4	3.7597	-0.2	•	Jun
POSIDORS POSIDORS	(35)	1,6128		120 - 135	1,8170	1,6072	1,8179	-3.5	1.6228	-2.5	1,6333	-1,3	- 3	Sep
uth Africa	(FI)	4.8610		595 - 626	4,8690	4.8585	4,904	-10.6	4,9792	-9.7	5.2875	-8.8		LIFFE M
uth Korea	(Won)	1197.00		500 - 900	1290.00	1190.00		-10,0	4,0706	-0,1	3,2013	-6,6	. 1	E EUR
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alland	(B0	42,5250		500 - 000	42,9500	41,3500	42.87	-9.7	43.235	-6.7	45.275	-6.5		Price
DR rate per	S for De	e 1, Bid/off	er spreads indices De	in the Dollar G 1: Base at	Spot table recege 1990	ahow only 100.	the last th	rea deca					oted to	9375 9400 9425

**GNI** 

## - 6 5% 5% 65 - 5.25 5.45 5.53 5.67 - 4% 4% 4% 4% 4% - 3% 3% 3% 3% 4% S LIBOR interbank from rates are offered name for \$10m quoted to the municipal will expend be both at 11am such working day. The banks are, Banks Intal, Bank of Taylor Membelle, Banksyn and National Westermater. Med rates are shown for the domestic Money Rates, USS CDs, ECU & SDR Letera Deposits, Call **EURO CURRENCY INTEREST RATES** Dec 3 Short 7 days One term notice month Three Sn months months | Belgan Franc | 313 - 3.4 | 313 - 324 | 313 - 324 | 313 - 324 | 314 - 325 | 315 - 324 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 315 - 325 | 3 9030 9638 -0.01 9030 9027 8331 40.709 96.08 96.06 -0.02 90.09 90.05 7.562 69.707 95.86 95.83 -0.03 95.87 95.83 6.124 97.497 ONTH EUROMARIK FUTURES (LIFFE) DM1m points of 100" . Open Sett pnce Change High Low Ent. of Open 40 96.20 96.22 96.19 25.00 2745.25 96.07 96.06 -0.01 96.08 96.04 385.6 1/4/27 95.65 95.85 -0.01 99.87 95.82 45409 28419.1 95.68 95.67 -0.02 95.70 95.05 24.33 21323.1 TH EUROMARIC FUTURES (LIFFE)" DAGE points of 100". open Sett price Change High 96.21 0.02 96.31 96.31 33 96.22 -0.02 96.22 96.22 33 96.17 -0.02 ONTH EUROLDA FUTURES (LIFFE): L1000m points of 100 % open Sett price Change High Los Est voi Open int 198 93.96 -0.03 93.99 93.94 1163-7 1036-03 1475 94.71 -0.04 94.76 94.69 15363 124132 1636-25 95.20 -0.05 95.25 95.19 63.76 126464 153.99 95.36 -0.03 95.39 95.34 8283 76497 ITH ELMO SWISS PRANC PUTURES (LFFE) SEALIN points of 100 in Sett price Change High Low Est vol Open int. 9.10 98.15 - 98.18 98.05 8.14 98.16 - 96.18 98.05 77.97 97.99 - 93.00 97.09 77.77 97.82 - 97.83 97.74 ORTH EUROYEN FUTURES (LIFFE) Y100m points of 100". pen Sett price Change High Low Est vol Open int 99.17 - 99.18 99.15 99.33 +0.01 99.33 99.33 98.36 +0.03 99.36 99.36 1000 550 200 OKTH ECU FUTURES (LIFFE) Ecu1m points of 100% pen Sett price Change High Low Est, vol Open mt Per Set price Change Feg 125W Est, vol. 15:43 95:45 - 96:45 95:43 322 15:39 95:38 -0.02 96:40 96:37 236 15:34 95:34 222 15:30 95:30 95:38 395 ise traded on APT OPTIONS (LIFFE) L1000m points of 100% 1.48 0.02 1.22 0.09 0.99 0.30 0.02 0.04 0.07 us day's open int., Calla 730733 Puls 143876

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# Gold drops on reports of Argentine sales

MARKETS REPORT

By Kenneth Gooding, Mining Correspondent

The price of gold plunged to a fresh 121/2-year low yesterday after Argentina's central bank revealed that it had sold all its gold reserves during the first half of

The bank said it had sold 4.013m ounces, or 124.4 tonnes, at an average of \$370 an ounce and for a total of \$1.46bn. This was invested

an unproductive asset. Argen- to sell gold forward. tine's bank pointed out the bonds \$81m a year.

in the near future, leaving it with historic significance.

Dealers said the downward pressure on prices was totensified yes- Tuesday's close.

Echolog the views of other centre US currency and this had gold price for more than a year, was almost certainly the one they \$285, a level last reached in Februaral banks that complain gold is encouraged Australian producers. The fall became precipitous after had got wind of. He was now very any 1985 at the London "fix." Gold tral banks that complain gold is encouraged Australian producers

would yield an average of 5 per funds that have made a killing roughly two-thirds of its reserves. bank and other official sales cent and were expected to bring in from the bear sentiment by selling short - selling gold they do not The bank said it also planned to own in the expectation they can sell some of its gold coin holdings buy it at a lower price before they have to deliver - took some profonly 50,000, kept because of their its later yesterday and the price recovered to close in London at \$292.75 an ounce, down \$1.70 from

Australia's central bank revealed satisfied about the accuracy of

there were indications in the marin the first half of this year. It tonnes of sales and 273 tonnes of suggested then it was probably a purchases. European bank.

However, Stewart Murray,

Asian economic growth

Some of the US investment in July it had sold 167 tonnes, GFMS's estimate that central In September the Cold Fields totalled 220 tormes net in the first Mineral Services consultancy said half. In September CFMS indl-

> Gold is now nearly 20 per cent below its highest level this year of \$380 an ounce. Traders suggest

traded as low as \$283.50 an onnec on that day.

On the London Metal Exchange prices came under renewed pressure from banks and investment cated that central bank gold funds. Copper closed near 17 ket that a central bank had sold transactions totalled 766 tonnes in month lows, zinc feil to a about 200 tonnes over some weeks the first baif, consisting of 493 10%-month low and nickel at one point was at its lowest for four years. Traders said the downward trend reflected the fact that stocks were rising while demand prospects were weakening because of terday because the Australian dol-lar fell to a four-year low against sales bave been driving down the yesterday that the Argentine sale that US funds now are targeting slowing economic growth in Asia.

# Indian sugar

By Kunzi Bose in Cale

India's Commerce Ministry has snuhbed the country's sugar industry by recommending that the government should import 500,000 tonnes of sugar for distribu-

tion through ration shops. The Indian Sugar Mills Association had urged the government to buy from the industry, which at the end of October had comfortable stocks of 5.4m tonnes.

The government says the public distribution system for sugar will remain under pressure in the 1997-98 season and that it is essential to "keep the import option open". On current projections it will be left with no stocks in the final month of the current season unless imports are made.

Nearly 33 per cent of the industry's production is bought by the government at below market rates for distribution through ration shops. The industry is allowed to sell the balance at market prices.

Om Dhanuka of the ISMA said the industry could take care of this shortfall. "This is in spite of the lower projections for cane and sugar production in the current eason," be added.

The country's sugar production is forecast to fall to 12m tonnes in 1997-98 from 12.9m tonnes last time.

"The fall will be as much as 37 per cent compared with the all-time record output of 16.452m tonnes in 1995-96." said Mr Dhanuka.

"Except for Tamil Nada, Andhra Pradesh and Gujarat, every sugar growing state will be producing less this season. The production setback will be most pronounced in Maharashtra. the largest sugar growing state in the country, where at least 35 of the 110 factories wili have very little

PART.

# Sights lowered for base metal prices

A moil bas prompted whether a worrying structural change has occurred price forecasts for base metals - for some, substantially. While it is too early to tell how badly slowing growth in Asia will affect global economic activity, analysts

studying those metals traded iysts bave been doing the on the London Metal best they can Ted Arnold, Exchange can be pretty sure metals specialist at Merrill of falling prices. In the past 10 years the region – excluding Japan – has become increasingly risk is now on the downside important to the traded met-

its share of global copper risk was on the upside." demand has risen from 7 per cent to 20 per cent, while merchant and producer conaluminium's share has more than doubled from 7 per cent absorb huge tonnages of them for the next three metal as they build the infra- years,' was the comment of structure to support new one merchant," said Mr industries. A substantial

imports is also converted

into goods for export, such

as cars, television sets and

computers. So analysing the

impact of the present turmoil is difficult. many months before we have a firm handle on the Asian situation," said Tony Warwick-Ching, analyst at 103.9 cents (\$2,290) for 1996.

tural change has occurred with a dislocation in trend growth, as happened twice to OECD industrial production, notably in 1975, follow-

ing tha oil price shocks." Nevertheless, metals ana-Lynch, summed up the broad consensus. "One can say with confidence that the with all base metal prices. als business. For example, Six to nine months ago the

After discussions with his tacts, Mr Arnold said the two weakest markets were o 16 per cent. seen as copper and nickel.

Developing countries "You can forget both of Arnold, "Zinc and aluminquantity of the metal Asia ium are seen as promising in that both those prices will hold up relatively well compared with other metals."

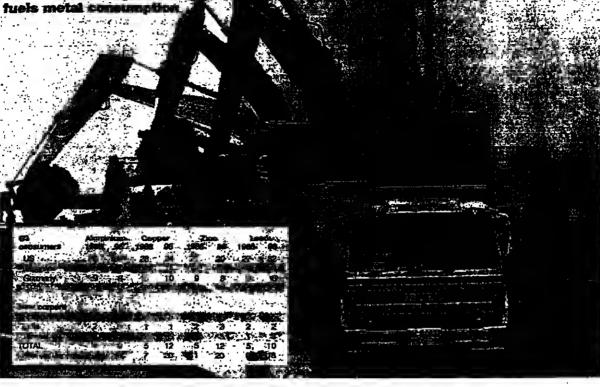
Mr Arnold has lowered his about 105.8 cents (\$2,332) and

(\$6,724) to \$2.85 (\$6,283) against \$3.18 (\$7,022) this year and \$8.4 (\$7,500) in 1996. Merrill has also lowered its zinc 1998 average price forecast from 57 cents (\$1,256) to 52 cents (\$1,145) and shaved its lead forecast from 26 cents (\$573) to 25 cents (\$551). So far this year these prices have averaged 60.8 cents (\$1,340) and 28.8 cents (\$638) respectively.

Analysts at Deutsche Morgan Grenfell are among the most bullish about traded metals prices. Their latest forecasts are still at the top end of expectations, even though they have been substantially reduced. Alan Williamson, a DMG

analyst, said that after reexamining demand prospects on a country by country hasis. DMG believed the Asian turmoil would cut 1998 global copper consumption by 190,000 tonnes, aluminium's by 170,000 tonnes, zinc's by 95,000 tonnes and nickel's by 20,000 tonnes. These losses would come

copper price forecast for at a time when supplies of next year from 90 cents a most base metals were ris-"We believe it will be pound (\$1,984 a tonne) to 85 ing. "So, instead of most any months before we cents (\$1,874) compared with metal stocks falling to critian average so far this year of cal levels late in 1998, there will be surpluses," he said. DMG is now expecting a Flemings Global Mining His nickel price forecast has 1998 average of 82 cents a weakness to come.



nound for aluminium (down from 90 cents). 95 cents for forecasts, with the previous copper (107.5 cents). \$3 for ones in brackets, are: alunickel (\$4), 56 cents for zinc minium 75 cents (82.5), cop-(75 cents), 27 cents for lead per 87.5 cents (95), lead 24.5 (33 cents) and \$2.70 for tin

(down from \$3). Analysts from Macquarie, zinc 57.5 cents (68). the Australian banking group, have been touring Asia talking to traders, producers and consumers and. said Adam Rowley, there

Macquarie's revised 1998 cents (26.5), nickei \$3.05 (\$3.50), tin \$2.625 (\$2.75) and

Zinc, downgraded most by Macquarie, suffered simi-

Asian turmoil would be felt most strongly by those metals close to the peak of their price cycles: notably aluminium and zinc.

Paribas has cut its 1998 zinc forecast by 10.4 per cent to \$1,403 a tonne while aluminium is reduced by 4.3 per cent to \$1,750. Other changes larly when Paribas, the include copper down 3 per French bank, changed its cent to \$1,947; lead down 2.2 forecasts. Charles Kernot at per cent to \$711; nickel down may be further demand Paribas said this was 2.1 per cent to \$7,338 and tin weekness to come. Paribas said this was 2.1 per cent to \$7,338 and tin because the impact of the down 2 per cent to \$6,006.

Meanwhile, there was growing concern among analysts. "No one knows when [the Asian upheaval] will stop and how far it will go before it stops," said Angus MacMillan, head of research at Billiton Metals. "The biggest worry is that the Japanese economy might go into recession. That would have knock-on effects world-

Kenneth Gooding | cane to crush."

## COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE

	Cash	3 mtfas
lose	1561-2	1584-5
revious	1567-68	1589-80
lgh/low		1597/1582
M Official	1568-68	1590-61
arts close	-	1586-7
per int.	254,507	
tal daily turnover	93,994	
ALUMINIUM AL	LOY IS per to	mme)
256	1430-40	1450-55
evious	1440-45	1455-60
tv/kow		1465/1450
Official	1435-40	1456-57
rb close		1450-55
en int.	6,014	
tal daily turnover	1,109	
LEAD (\$ per ton	ne)	
60	517-8	534-5
rvicus	514.5-15.5	531.5-32.0
tv/low		544/533
Official	519-19.5	536-37
to close		542/543
en int.	32,534	
el daily turnover	8,848	
NICKEL (\$ per to	onne)	
50	5880-65	5955-80
Wious	5975-80	6065-70
h/low	com et	5980/5910
Official rb close	5650-56	5845-50 5870-75
on int.	59.361	3810-12
al daily turnover	27,966	
TIN (\$ per tonne)		
30	5720-30	5640-45
vious	5785-70	5665-70
tr/low		5885/5650
Official	5760-65	5675-80
to close		6880-85
on int.	15,082	
al daily turnover	3,673	
ZING, special bi	gh grade (\$ p	er tome)
540	1084.5-5.5	1110-11
IVIOUS	1109-10	1134-35
h/low		1142/1108
Official	1096-97	1122-23
		1118-8
to closes		
b close on int. d daily turnover	85.150 27.150	

	Sett	Day's				Орен
		change	High	Low	Vol	int
lec	80.30	-1.15	\$2.85	79,80	1,936	3,757
	80.85	-1.55	95'90	80.50	294	2,472
-	61.45	-1.55	83,18	B1.18	174	1,730
ler .	81.06	-1.55	83.60	\$1.5D	4,448	31,741
<b>pr</b>	82.35	-1.55	-	-	77	1,433
i y	82.75	-1.35	84.30	82.18	454	4,677
otal					7,767	63,871
PE		US I				
	DON :	by N			d)	_
Prices iold(Tr		sd by N Spei	M Ro		_	equiv
rices old(Tr lose	supplic	d by N	M Ro 109 192.90	xhechi.	_	equiv
oldi(Tr lose penin	supplic by cz)	s pt 292,40-2	M Ro 92.90 90.50	xhechi.	v SFr	<b>6</b> quiv
Tices	supplic by oz) fix	\$ pri 292,40-2 290,00-2	M Rk 192.90 190.50	thechi tupe 2	v SF?	5.331

1776.5-7.5

■ LME AM Official \$48 rate: 1.6803 LME Closing \$48 rate: 1.6840

Spot: 1,6845 3 mater: 1 6775 8 mater: 1,6688 9 mater: 1,6618

1808.5-9.5

Day's Low 28 Previous close 29			
1 month	3.76 6 mon 3.76 12 mo	ths 3.93	
Silver Fix Spot 3 months 6 months 1 year	p/troy cz. 316.20 319.55 322.30 328.48	US cas equiv. 531,50 584,95 537,15 542,90	
Gold Coins Krugerrand Maple Leaf New Sovereign	\$ price 290.5-292.5 70-73	£ equiv. 172.5-173.5 41.5-43.5	ĺ

	cious					
	· Sett	Day's change		low	Val	Open but
Dec	292.6	-1.8	294.0	291.2	1,451	3.107

Jes	293.4	-1.6	-	-	-	
Feb	294.5	-1.4	296.3	292.4	20,555	107,4
Apr	296.3	-1.4	297.8	295.0	320	11,470
Jun	298.4	-1.3	299.5			12,837
Ang	300.5	-1.3	300.9			4.897
Total						194,54
	ATINUM	1	~ 60	T	•	
-	VIEWOR	MIN	EX (3V	IIOY O		الم م
Jaa	385.7	-28	389.0	385.5	1,333	10,386
Acc	382.2	-25	385.8	382.0	62	2,336
Jol	379.2	-28	-	-	4	104
Total					1.395	12,85
- PA	LLADRA	M NV	ey no	Terret d		
=					_	_
Dec	210.20					427
Mac	207.45			207.00		3,733
Jun	203.95	-1.05	-	-	11	126
Sep	200.95	-1.05	-	_	-	4
Total					975	4,290
<b>S</b>	VER CO	MEX (5,	000 Tro	y 02; C	pits/go	(OC)
Dec	525.A	-23	550.0	521.5	375	1,513
Jan	527.7					36
Mar	532.2		540.0			65.A77
-	535.3		540.8			5,793
34	537.3		545.8		485	
Sep	539.0	-3.1	340.0	333.9	15	780
Total	-30.0	-3.1	_	_		#8,243
1 404					4405	

NERGY CRUDE OIL NYMEX (1,000 barrels, \$/barrel) 18.85 +0.09 18.89 18.47 35.526 108.7k

51.55 +0.50 53.65 52.50 12.224 54.330 51.55 +0.50 54.35 52.50 12.224 54.330 51.25 54.77 25.167 54.30 +0.33 54.35 53.25 54.77 25.167 54.30 +0.23 53.65 53.05 599 7.799 52.90 +0.18 53.16 52.45 34.7 6.134 52.80 +0.75 52.80 52.30 1,681 5.755 25,519.131,522 Apr Apr May Just Total 164.75 .-0.75 165.75 163.00 5,335 15,607 164.75 -0.75 165.75 165.00 2,335 15,907 166.25 - 166.91 164.00 6,908 25,045 166.00 -0.25 166.50 164.00 2,231 15,748 166.50 -0.25 165.00 164.00 1,519 11,123 164.75 -0.25 164.50 163.50 671 4,963 164.25 -0.25 164.50 163.50 620 2,696

NATURAL GAS PE (1,00) theres perce per beaut 18.050 +0.100 18.100 18.000 250 2,810 2.605 -0.113 2.725 2.595 21,107 48,549 2.515 -0.035 2.630 2.500 8.188 27,716 2515 -0.055 2.630 2.300 5.100 cr., r. 2205 -0.055 2.440 2.370 2.763 20.531 2.240 -0.035 2.270 2.240 841 11.826 2.210 -0.055 2.230 2.230 687 8.482 2.230 2.230 687 8.482

56.75 +0.32 56.80 55.60 10,747 24,228 57.10 +0.25 57.10 56.15 8,180 18,376 57.55 +0.20 57.55 58.79 1,971 10,731 60.00 - 60.00 59.85 1,008 8,438 58.90 +0.04 59.90 59.90 1,528 7,703

## GRAINS AND OIL SEEDS WHEAT LIFFE (100 tonnes; 2 per tonne)

\$1,40 +0,40 \$1,50 \$1,20 46 1,539 \$1,50 +0,50 83,55 83,10 86 2,658 85,50 +0,50 85,50 85,20 291 2,984 Dec May May Jol 338.75 -25 343.00 338.00 4.100 3.106 387.25 -0.73 377.00 387.00 1,779 17,255 373.00 +1 377.00 377.00 43 368 382.50 - 386.00 882.50 141 3,990 III MAZZE CET (5,000 bu mirc center55to bushel) M COCOA (ICCO) (SDR's/tonne) 271.25 -0.25 272.25 270.50 17.508 36.077 280.75 - 282.25 280.25 34.249180.038 287.25 - 288.50 286.75 2.189 42.177 Price 27.25 +0.25 282.25 280.50 4,344 52.864 267.00 - 267.25 286.25 201 5,223 267.25 +0.25 287.50 286.00 1,829 31,327 COFFEE LIFFE (5 tormes: \$/torne) 00,327 348,365 BARLEY LIFFE (100 torries; £ per torrie)

COFFEE 'C' CSCE (37,500lbs; cents/lbs) M SOYABEANS OF 5,000m cale controll bushed 706.50 +2.5 707.00 699.00 42.693 67.143 70.55 +271.50 693.0 42,58 67,45 714.75 +271.50 708.50 7,68 27,99 715.00 +1.75 718.00 708.50 2,000 20,501 777.50 +1.5 718.50 718.00 2,655 22,52 711.50 +0.5 712.00 708.50 41 1,738 690.00 -0.5 688.50 687.00 2 58 COFFEE (ICO) (US cents/pound)

M SOYABEAN OIL CET (60,000ths: cents/b) 24.97 -0.2 25.17 24.91 7,20 5,124 25.39 -0.13 25.40 25.18 15,365 47,422 25.63 -0.1 25.70 25.51 3,877 33,894 25.90 -0.06 25.75 25.52 444 13,055 25.90 -0.02 25.90 25.72 1,255 11,380 25.79 -0.04 25.75 25.70 135 2,067 26,397 114,725 230.9 +0.3 231.5 228.5 8,765 13,241
222.4 -0.1 223.5 220.0 11,448 31,011
216.8 -0.5 218.4 215.8 8,301 34,847
214.2 -0.3 215.8 212.3 2,724 20,515
214.4 +0.1 215.7 212.7 1,347 14,538
214.5 +1 215.0 213.0 69 3,265
22,855 124,857

m POTATORS LIFFE (20 tornes; £ per turne) B FREIGHT (BIFFEX) LIFFE (\$10/Index point) Dec 1225 +10 1225 1215 31 295 1229 +9 1229 1228 11 702 1245 -5 1235 1235 30 -1330 +5 1330 1230 30 450 1200 - 124 77 1,581

Gless Prev BH 1134 1180 PULP AND PAPER # PULPEX OMILX (US\$; 24 air dry tons) \$10.00 +0.75 \$10.00 \$98.00 81 158 \$37.73 +2.50 \$37.75 \$32.00 22 426 183 781

FUTURES DATA All futures deta supplied by CMS.

Nuts and seeds Price from Kerido USS a torne, tranter pistachics 29/30 raw (in steel) returning operact, new crop at 4.250 CFR, crop 1996 at 4.150 FCA Walnots US jumbo Inshelt 1,600 CFT Europe. Turkish hazelmuts 13/15 + 11/13, new crop Indication 4.600 CFR, transen softeness double cleaned crop 1997, 1,110 CFR, transen apricot betwee 1,790 CFR, Indian castherwise crop 1997 and 98 CFR W320 5.350; W240 5.800. US atmonds: crop 1997, St.5% at 3,800 FAS for Dec-Jan shipmark; processed blanched goods from shipmark; processed blanched goods from 5,000. Cooperat; 1,120 FOB from top Prilippine mits, Russian Snow White pemplin seed; crop 97 long 1,980 CFB MEP.

# # COCOA LIFFE (10 tonnes; Eltonne)

+4 998 994 194 2,025 +4 1029 1023 1,907 69,495 +5 1049 1043 383 24,864 +4 1066 1062 323 11,399 1558 +10 1570 1550 81 333 1588 +18 1593 1578 2,976 49,180 1517 +11 1527 1511 227 18,768 1637 +11 1547 1513 28 4,861 1638 +14 1658 1657 15 5,742 1676 +12 1677 1676 13 9,130

1818 +32 1838 1773 2418 16,925 1807 +32 1820 1765 5,748 18,155 1785 +30 1799 1745 1,278 5,485 1770 +25 1780 1740 86 1,135 1770 +25 - - 482 1775 +25 - - 30 8,539 42,272

174.00 -1.50 178.20 172.20 339 1,040 167.20 -1.20 169.00 165.1810,380 14,748 180.25 -1.80 161.50 192.00 1,377 5,159 182.90 -2.85 154.25 151.50 342 2,433 148.55 -1.70 148.00 147.00 177 1,191 141.75 -0.50 142.00 141.00 63 948 Prev. day 126,72 120,23 M WHITE SUGAR LIFFE (50 tonnes; S/torne)

310.2 -0.3 311.0 309.8 1.301 22.575
316.5 -0.5 316.1 215.0 508 5.288
317.4 -1.1 318.0 317.0 96 4.639
311.9 -0.5 311.5 18 312.5 18 311.1 -0.4 318.0 316.0 - 142
331.1 -0.4 318.0 316.0 - 142 Total

SOYABEAN MEAL CET (100 tonic \$/ton)

Sugar 11' CSCE (112,000/bit curits/ps) 12.38 -0.07 12.45 12.3510,179 110.34 12.36 -0.06 12.36 12.27 1,226 31,834 11.37 -0.97 12.97 11.96 1,831 25.578 11.75 -0.06 11.61 11.74 2.444 25.578 11.35 - 11.50 11.56 185 6.156 11.32 -0.01 11.55 11.50 42 214

15,183 200,854 COTTON NYCE (50,000/be; centa/bs) 67.57 -0.22 68.50 67.73 153 348 69.63 -0.18 69.94 59.50 9.073 (5,788 70.95 -0.18 71.28 70.85 2.657 13,889 72.15 -0.15 72.49 72.05 2.672 14,579 73.63 -0.07 73.85 73.93 240 1,053 74.20 +0.18 74.30 74.00 1,369 10,740 18,563 84,658 M OPANGE JURCE NYCE (15,0008)s, certa/fes)

81.40 -0.95 51.50 79.95 1,492 22,054 84.45 -1.05 84.50 82.25 939 14,941 87.45 -1.05 88.95 88.25 108 8,488 80.15 -1.25 88.90 89.00 72 1,578 92.55 -1.30 92.16 82.18 22 938 95.55 -0.60 96.00 85.00 112 1,167 2,777 44,869

VOLUME DATA
Open Interest and Yourne data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CME, CSCE and IPE Crude Oil are

M Reuters (Base: 18/9/31 at 100)

Dec 2 Dec 1 month ago year ago 1795.5 1793.9 1828.7 1863.2 R CRB Futures (Base: 1967 = 100) Dec 1 Nov 28 month ago year ago 236.89 236.96 ■ GSCI Spot (Base: 1970 = 100) Dec 1 Nov 28 month ago year ag 186.94 188.38 205.83 218.87 Dec 1 LINE WAREHOUSE STOCKS (to Akmerican

MEAT AND LIVESTOCK III LIVE CATTLE CME (40,000/bis; cents/lbs)

Sett. Day's Dync Price change High Lour Vol. 1st. 86.825 -0.325 67.500 68.775 4.888 18.794 67.300 -0.500 68.190 67.25079,289 46.236 70.950 -0.475 71.575 70.800 2,589 20.878 79.125 -0.225 70.250 70.050 595 4.991 786 107 23.196 Oct 72.350 -0.275 72.850 72.300 588 1.301 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 70.051 89.550 -0.325 70.000 69.525 8,399 12.899 III LEAN HOGS CME (40,000ths; cents/fbe)

PORK BELLIES CARE (40,000lbs; cents/lbs)

Feb 58.175+0.375 58.450 57.250 1,169 6,831 Mar 57.050+0.000 57.350 56.200 230 1,195 Mary 56.125+1.275 58.125 56.750 362 957 Jul 56.500+0.200 56.800 56.050 11 394

LONDON TRADED OPTIONS Strike price \$ torms - Calls - - Puts -III ALUMINIUM 1700 . Grade A) LME 1900 .

1750 ... 1800 ... BRENT CRUDE 18 39

LONDON SPOT MARKETS \$17.25-7.28 \$17.82-7.85 \$18.17-8.20 +0.005

M Oil PRODUCTS ME prompt delivery CIF (to \$187-189 \$168-171 \$90-92 \$178-160 Jet fuel 5180-182 M NATURAL GAS (Perce/therm)

- OTHER Gold (per troy oz)

534.00c Patinum (per troy oz.) Patiacium (per troy oz.) 89.0c 45.00c Copper Tin (Kuala Lumpur) Tin (New York) 19.57 Cettle (live weight) Sheep (live weight) 89.880 Pigs (five weight) 60.070 Lon. day sugar (raw) Lon. day sugar (wto) Barley (Eng. feed) Maize (US No3 Yearow \$296.70 Unq 2109.00 Wheat IUS Dark North Rubber (Dec) ¥ Rubber (Jan) ¥ Rubber (KLRSS No1) 274.02 Coconut Oil (Phil)§ 587.5y 520,0w \$407.5 Paim Of (Maley.)§ Copra (Phil)§

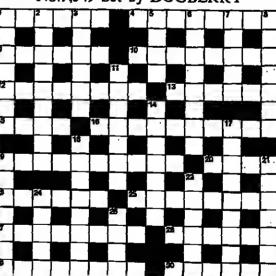
Wooltops (64s Super)

JOTTER PAD

wide," he said.

## **CROSSWORD**

No.9,549 Set by DOGBERRY



ACROSS 4 Doctor 9 being treated as source of loan (8) 9 Stimulating man to devour

500KS (6)
10 Pine, missing Prodigal Son, for instance (4-4)
12 Partner held in popular esteem gets burned (8)
13 Old friends embracing science and bad art (6)
15 Element work of 10 cm (4)
16 Partner work of 10 cm (4)
17 Vulgar onslaught (9) visionary bas qualitative tions (7)

14 Vague idea of product of squid and fish (7)

17 Vulgar onslaught (9)

18 Girl about to record artist's 15 Beyond most of 19, say (4) 16 Company gaining the front perhaps suffer from it (10) 19 Food for rodents interrupt weight (8)

19 That may appear repulsive

eating starters of snalls
in batter (7)

ing sick clergyman's come back (10) 20 Former ruler of note (4) 23 Sign of a tennis shot get-ting my first service returned (6) returned (6)
25 Summarily incarcerate
25 Summarily incarcerate
26 Artist's model with hair on alien communication sys-

tem (6) 27 Insolvent, iousy, punk 28 .... to join Rugby Union organisation, though under age (6)

28 Approximate price of property compiler's entered (6) 30 Get 15 to 10 on a brown horse, "Tapestry" (6)

1 Bone can keep breaking 2 Academic papers with input of gold (9) 3 Biblical warrior and priest

Solution 9,548

6 Closely follow fruit of

7 Equipment for turning round in niche (5)

Upset the cart wheel (7)

21 Carbuncle on an insect's

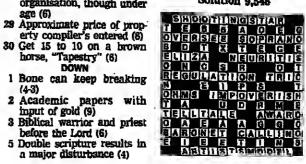
22 Plotting the end of Alex-

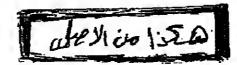
top (5) 26 Skewer in gob (4)

middle with nothing missing (7)

combat (8

high-tension, high-ievel





FT MANAGED FUNDS SERVICE Offshore Funds ● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Deak on (+44 171) 873 4378 for more details. hat Mates Solling Brokes - or York Corps Pales Pales - Gre AND OVERSEAS

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(PSA RECOGNISED)

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Broyal Bit of Canadia (US Fol Migra Ltd. 1972)

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Broyal Bit of Canadia Asset Universal Ltd. Yeld Koree Fund **JERSEY** \$1.06 \$1.00 \$1.08 \$1.00 \$4.05 \$1.00 (REGULATED)("") Salbag Saying our York Prim Trian - Gree ISLE OF MAN
- (FSA RECOGNISED) IMPSTORS Fund Services (Instant) LM | Solid | Color | Colo And Canary

IN Canary Korea Active Kornes Salanced Salance Fund

100 - 55.50 +0.05 - 100 Kores Bond Fund Pic 100 - 0.47 - 0.47 - 0.47 - 0.47 AOPER to recommend State

Koren Capital Greeth Panel

\$2.87 -0.71 res Open Russi 100 Koruz Sprint Fund Pic so Strategic Growth Fund Shrough \_\_\_\_\_ F1 0410 1 0710 \_\_\_\_ Labrana Bros./GLS Partners Aspet Nigori Ltd (s Dissided South (D.C.), 407 11000 112500 1 25 1 1 2 2 GLG Bearroad S117 GB GLG Capter Approximate S118 A9 GLG Capter Lossettan 07 GLG Capter Lossettan 07 GLG Capter Lossettan 07 GLG Performance S121 A7 Commont R.A.
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EBC Funds Carmeny Fund Ltd

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Captal 75/2 17 CLCT 40 PM

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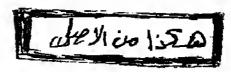
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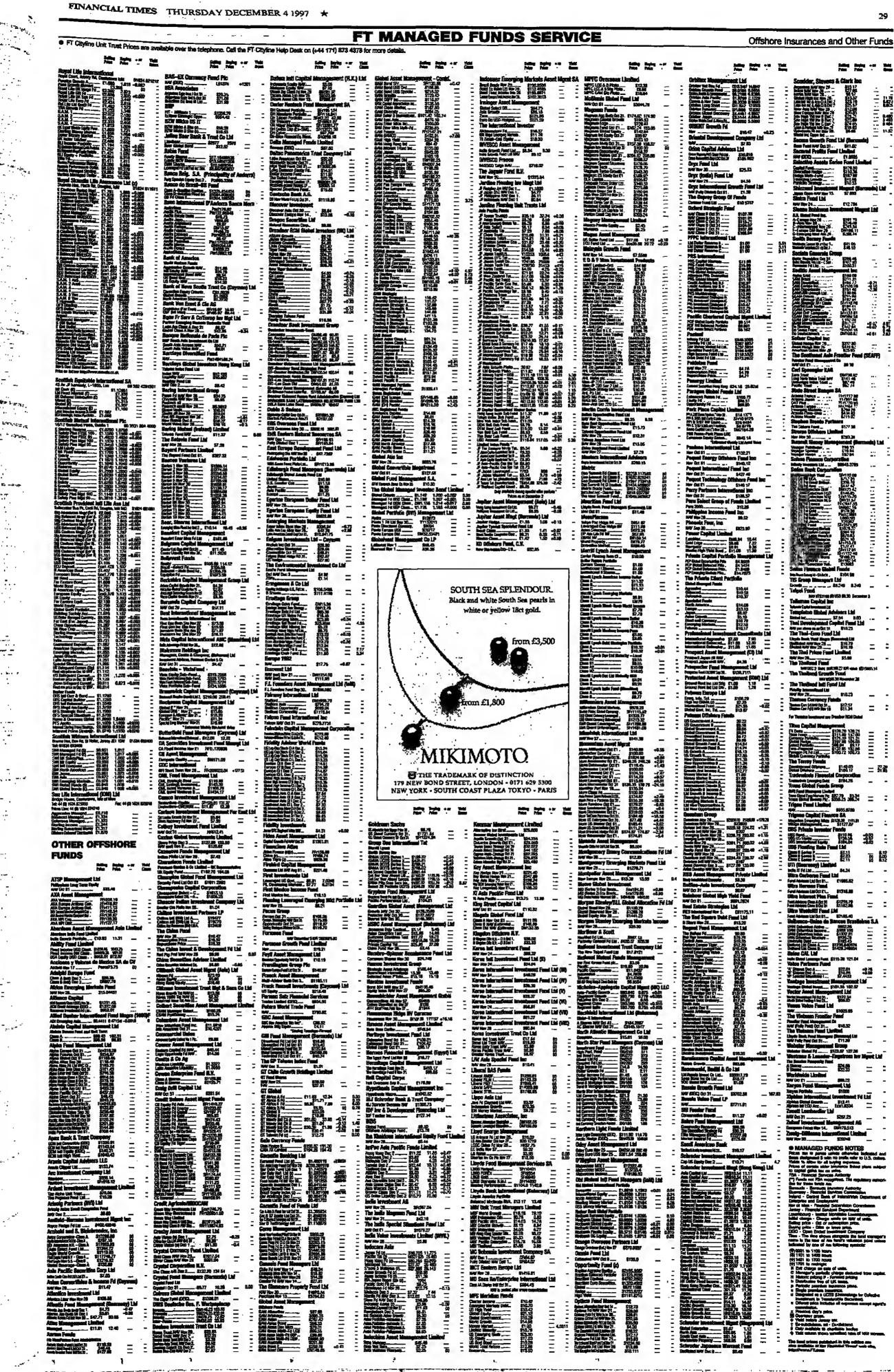
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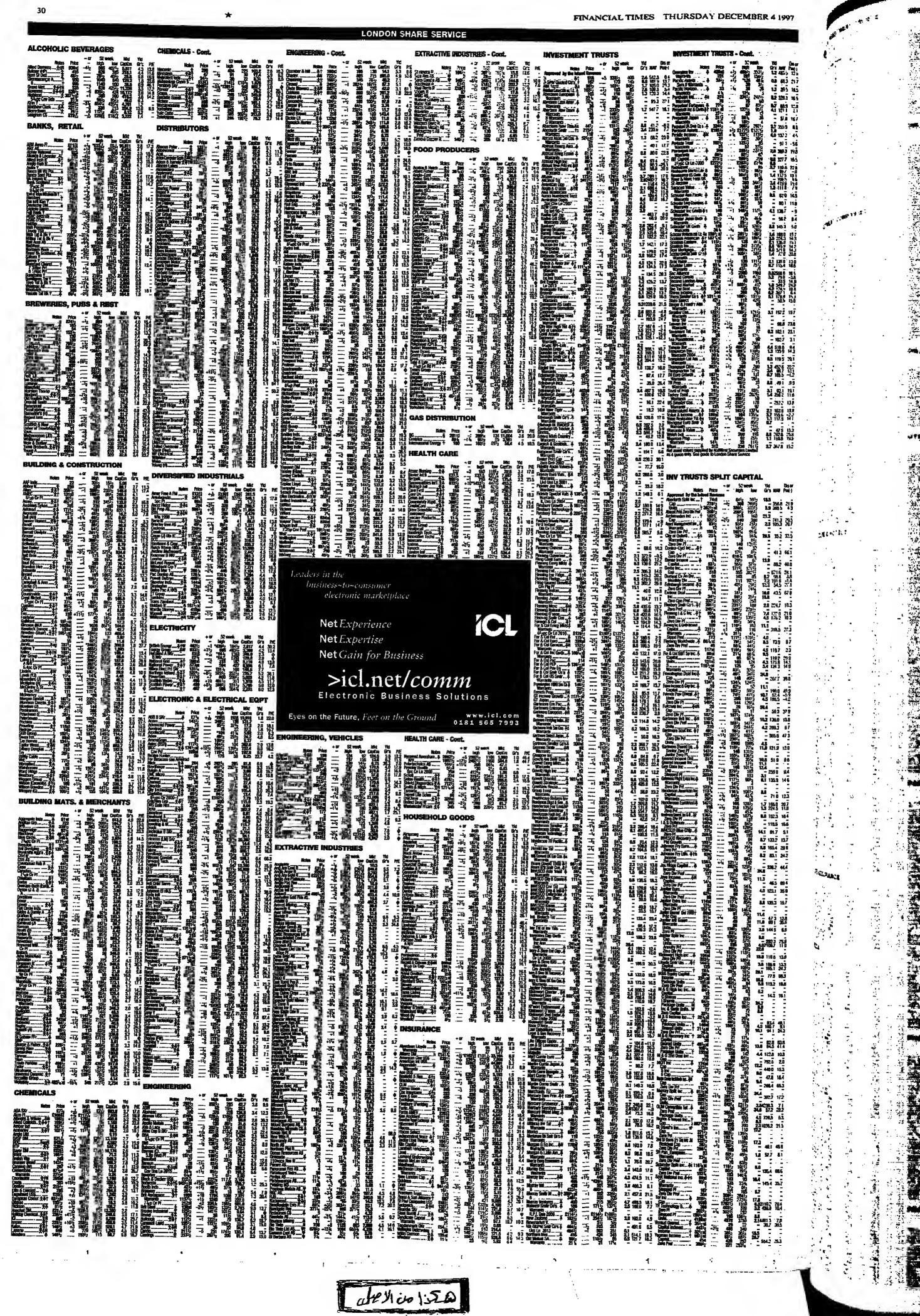
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## LONDON STOCK EXCHANGE

# Footsie runs out of steam after initial spurt

MARKETS REPORT

By Steve Thompson, **UK Stock Market Editor** 

The FTSE 100 index made another dash towards 5,000 early and then ran out of puff to finish modestly lower on the day.

however, with dealers claiming that the continuing spate of takeover bids, mostly in the smaller until after Christmas, companies arena, may well move up a gear to encompass the FTSE 100 and FTSE 250 areas. "If what everyone expects actually hap-

and possibly even challenge the all time high of 5,367.3," said the December 16. head dealer at one big European

Turnover in the equity market was never more than run of the mill, with many of the big instiyesterday, got to within 12 points tutions preferring to hold off until the outcome of the latest meeting of the monetary policy The undertone remained firm, committee is made known at noon today. Few observers expect an increase in UK interest rates

There is also some concern in dealing rooms that the US nonfarm payroll report for November might presage a rise in US interest rates after the next meeting question we'll be through 5,000 of the Federal Reserve's open

market committee, scheduled for the leading information technol-

The FTSE 100 index finished the session 6.9 off at 4,970.7. At new sector, information Technol- more than 50 points not long its best, shortly after the start of trading, the index was more than 10 points higher.

The FTSE 250 - which has tended to lag the senior index during the recent rally which has seen the 100 index gain 145 points - staged a catch up, outperforming strongly to close 24.0 higher at 4.692.4.

Helping drive the second liners ahead was the usual burst of takeover speculation, this time in BICC, the electrical group, and Greenalls, the pubs and hotels company. In addition many of

ogy companies rose strongly as yesterday, which saw the Dow the market picked up news that a Jones Industrial Average slide ogy, is being constructed for the after trading commenced in the

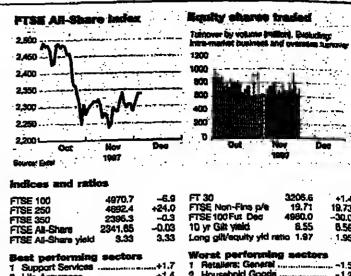
SmallCap rose 3.9 to 2.278.9. Traders insisted that more bids were in the pipeline. "The merger on and the story is that the City's day on potential bids," said one

Wall Street's sedate overnight Kong played only a small part in cially in 1995 and 1996. the day's events.

FTSE Actuaries. The FTSE US, kept the lid on performance in UK stocks.

Dealers continued to complain about extreme volatility in the and acquisition story is rumbling UK equity market. But the technical team at Robert Fleming corporate finance departments Securities pointed out that there are currently working 24 hours a were more frequent changes of 4 per cent or greater in a week between 1990 and 1992 than there are now. Flemings said UK equiperformance and the negative ties have been through a period showing by Tokyo and Hong of relatively low volatility, espe-

Turnover at 60m was 732.5m.



## **Takeover** stories dominate

By Peter John, Joel Kibazo and Martin Brice

Two new bida among second-line companies yesterday reinforced the hunger for consolidation in the UK. The market is gearing itself up for a glut of takeovers and mergers. About £8.5bn is already looking for

currently pouring in from be just the tip of the iceberg. BZW, which bas been tracking institutional liquidity very closely, says pen- 212%p. sion funds now have more cash than at any time since 1990. The current rasb of

increase those cash holdings. The feeding frenzy began with Lafarge's proposed £1.8bn acquisition of Red-

land in October. Every sector of the market is being closely examined for potential targets. But the main focus of the enthusiasm is the financial sectors shares rose 90 to 287/ap. The - banks and insurers. There second bld of the day was a has been one full-scale bid in £49m offer for Morris Ashby, the area: a E3.1bn offer for the engineering group, Mercury Asset Management from Merrill Lynch; disposals from National Westmin- strong performer in late ster and Barclays; and a trading on speculation that potential break-up of Hambros, which lifted 4 to

Exchange. Perpetual and might be on the acquisition Independent Insurance are only a few of the large and medium sized companies 903p, the Pru 261/4 to 680p. Guardian 4 to 311p, Perpetual 50 to £24.70 and Indepen-

dent 71/2 to £11.121/4.

Meanwhile, overseas companies have targeted industrials whose valuations have been crucified by currency shifts. In chemicala, a 21.07bn bid for Allied Colloids and a prospective offer for Holliday - estimated at £260m - have highlighted the potential in Courtaulds, a new home and the bids Croda International, Brent and Yorkshire. Holliday rose cash-rich companies could 411/4 to 2361/sp, Courtaulds 13 to 295p, Croda 161/2 to 385p and Brent 6 to 1051/2p, while

In print and broadcast, United News & Media is expected to raise £400m overseas cash bids will only through the sale of its regional newspapers. Scot-tish Radio, Johnstone Press and Newsquest are all believed to be checking their bank accounts.

Yorkshire eased a penny to

Yesterday. printer Watmonghs attracted a £188m hostile bid from Quebecor of Canada and the which lifted 71/2 to 3971/2p. Reuters Holdings was a

the company is poised to announce a big deal today. Initially there was a feel-National Westminster, ing that the news and elec-Prodential, Guardian Royal tronic information company

trail. Dow Jones Markets has been cited as a possibility and is thought to be up for with a price tag on their sale. However, analysts were heads. NatWest lifted 5 to sceptical, arguing that it

offered little value. They also pointed out that Reuters is concentrating on organic rather than acquisi-

tion-led growth. The second possibility could be a large investment in the internet. Reuters has recently announced a £50m development fund for internet-related products. However, that is small beer compared with Reuters £1bn war

Earlier this year the company was prevented from returning a large proportion of the cash pile to shareholders because of tax changes. Finally there is the possioff Instinct, its antomated

up at 6791/2p.

P&O edged higher in early trading but started to suffer as a story went the rounds that the forthcoming flotation of Bovis would value the housebuilding subsidiary at about £225m rather than the 2250m-2300m originally hoped for. P&O closed unchanged at 660p.

A valuation on Bovis of £225m would put it on a price/earnings of less than 9 times, which David Taylor at Teather & Greenwood described as "cheap against the rest of the sector". Some housebuilding stocks

have underperformed in the run-np to the Bovis float, although yesterday Wilson Bowden, recently the subject of a bullish note from Soc-Gen, was up 2 at 524%p. bility that Reuters will hive Howard Proctor at the broker told clients: "A tour of sured against. The sector share trading business in the Midlands housing sites con-

## FT 30 INDEX

Dec 3 Dec 2 Dec 1 Nov 28 Nov 27 Yr ago "High "Low 3206.6 3205.2 3182.2 3135.6 3160.7 2799.1 3430.3 2668.8 3.55 3.55 3.57 3.62 3.58 4.05 4.22 3.23 20.72 20.73 20.58 20.29 20.56 17.02 22.33 15.8 20.43 20.45 20.30 20.01 20.28 16.86 22.02 15.71

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B	ises and fells"		52 Week highs	and lows	LIFFE Equity opt	ions
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	otal Falls	722	Total Lows	99	Calls	17,408
	ama ,	1,871			Puts	10,778
D	ec 3 "Deta base	ed on Ec	betail senada vilus	on the Lor	ndon Share Service	L

US. The shares closed 171/2 firmed that 1997 will be a ness, and the recent strength terrific year not just for Wil- of sterling. Profits are expe son Bowden but for the whole of the UK housing \$233m to \$235m, rough

market. Analysts dismissed talk £235.6m, which was the that Bass was considering a group's first profits fall in bid for Greenalls Gronp. They instead attributed the rise in Greenalls, which gained 181/2 to 406p, to a

recovery. The creation by FTSE International of a separate sub-sector of the support services category for informa-tion technology companies prompted sharp rises amid a scramble for the stocks, which figured prominently in the list of leading risers in

the FTSE 250. Paul Morland at NatWest Markets said: "It is likely that technology funds were buying weightings in an index that they may be meawill not be created until the end of next year so index funds are unlikely to buy

before that date." Foremost among the bene ficiaries was Sage Group. which gained 43 to 8071/2p. while Sema Group rose 70% to £14.071/2p. Misys advanced 40 to £17.00 and CMG gained

Pittards, the leather goods maker, shed 16 to 531/2p after it warned about profits, citing the strength of the pound and weaker demand. VCI, the audio-visual publisher, mentioned the same reasons and suffered the market's biggest fall as It tumbled 77 to 115%p.

The general nervousness among retailing issoes settled on Great Universal Stores, Investors suffered a company's first-half figures published today which left the shares trailing 30 or 4.2 per cent to 685p, the worst performer in the FTSE 100 Analysts said they expected earnings to be held back by sluggish mail order busi-

FTSE 100 FTSE 250 FTSE 250 ex IT FTSE 350 FTSE 350 ex IT

10 MINERAL EXTRACTION(20)
12 Extractive industries(5)
15 Off, integrated(3)
18 Oil Exploration & Prod(12)

69 NON-FINANCIAL SIGR 70 FINANCIALS(105) 71 Banks, Rutel(11) 73 Insurance(17) 74 Life Assurance(B)

60 INVESTMENT TRUSTS(125)

■ Hourly movement

FTSE 100 FTSE 250 FTSE 350 FTSE SmelCap

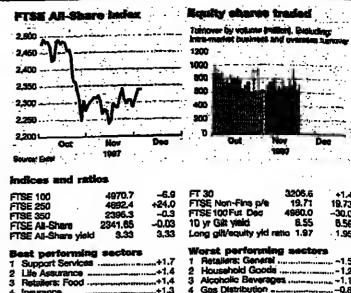
FTSE Actuaries Share Indices

ted to be in the region unchanged from last year

Among property stock MEPC improved 9 to 54 after it reported a healt set of full-year figures. The net asset value rose 10.4 p

cent to 497p. National Westminst hardened 5 to 903p, wil BZW rumoured to ha upgraded its recommend "bold" to "buy".

Gibbon improved 10 153%p after the speciali chemicals company almo doubled profits at £1.3m.



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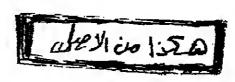
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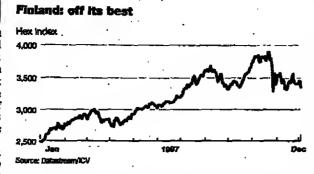
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# Markets focus on wage pressures in US

## WORLD OVERVIEW

Newe of a deal hetween Korea and the international Monetary Fund on a bail-out package may have given market sentiment a modest lift, but investors were apparently on hold ahead of Friday's non-farm payrolls report in the US. torites Philip Coggan.

Bob Craven, of the Fixed Income Management Group in San Francisco, says that the risks are quite high that the bond market will fall in response to the report. The consensus forecast is for an addition of 210,000 workers, this will not be the key fig-



ure in determining market

The main focus will be on wage pressure. "Average weekly earnings are likely to but Mr Craven argues that once again surprise on the upside," says Mr Craven.

US stock market commentators are coocerned not only about inflationary pressure but also that the Asian crisis, and tight labour markets, might put a squeeze on corporate earnings growth.

Bank merger rumours

resurfaced in Switzerland to

keep ZURICH pointing

higher on a dull day gener-

UBS racked up turnover of

SFr610m before before clos-

ing SFr65 or nearly 3.5 per

cent higher at SFr1,914. The

talk in the market was about

s link-up with arch-rival

SBC, which added SFr13 at

the big three Swiss banks,

barely blinked, ending SFr1.00 better st SFr214.50.

The SMI index closed 2.80

PARIS continued to trade

recent ranges in dull volume

and the fact that most of the

day'e features were on the

downside did nothing to bol-

SGS-Thomson fell precipi-

tously following the over-

night shakeout for high

techs stocks on Wall Street.

The sbares fell to FFr382

before recovering slightly to

Nordic telecoms

Share prices (rebased)

higher st 5,922.7.

ster sentiment.

Credit Suisse, the third of

ally for bourses

show that US earnings esti- America. mates for 1998 were edged down by 0.8 of a percentage point in November, but analysts are still looking for very bealthy growth rate

of 14.7 per cent.

Europeen markets were fairly quiet yesterday, with Helsinki one of the few bourses to experience a substantial move. The HEX index's 2.4 per cent fall was largely due to the decline in Nokia, the telecommunications group which frequently has a significant influence on the Finnish market. Nokia, along with Swedish rival Ericsson, was the subtect of reported downgrades

FTSE Actuaries SI

FTSE Burelog 300

The latest figures from IBES by Merrill Lynch and Bank-

markets strategist at Nat-West Markets, says that markets are "getting back on to solid ground. Psychologically, fund managers are still worried about the potential for things to go wrong in Japan and the rest of Asia. But they are sitting on quite a lot of money and the opposite danger is that they might get left behind as others move back into the

market. The bearish argument is that corporate earnings estireduced to reflect the eco-

234

0.02

link-up rumours. Philips fell Fl 8.20 or 4.5

per cent to FI 131.80 and

KLM, where the talk was of

an imminent alliance with

Alitalia of Italy, ehed FI 2.80

lower for the second succes-

sive session after a lacklus-

tre day which saw little

trade. The general index was

3.43 lower at 618.27. Contin-

ued weakness in European

oil stocks Weighed on Rep-

sol, which ended Ptal00

MILAN was also bereft of

action outside the oil sector,

lower at Pta6,440.

MADRID finished slightly

to FI 72.10.

999.07

the potential for competition in export markets from Asian companies operating in devalued currencles.

Those downgradee have not yet come through. IBES reports that estimates of 1998 German earninge growth were edged down by 0.2 of a percentage point in vember, but forecasts for 1998 French and Italian earnings were increased by 2.3 entage points and 0.7 of a point respectively.

"Earnings estimates are going to come down a bit but then again interest rates will not go up as much as expected, neutralising the effect on equity valuations," says NatWest's Mr Cornish.

weighted stock in the Mibtel

index, slipped L245 to L9,784 as J.P. Morgan downgraded the etock from "buy" to

"market performer". The

Mibtel index shed 8 at 15,584.

than 6 per cent in spite of

charp rises in short-term

interest rates, with energy

blue chips making most of

the running. Lukoil closed at

\$20.08, up \$1.03. Analysts

said the market was untrou-

bled by the recent rise in

three-month interest rates

ecause equities were more

sensitive to longer-term

rates, which had moved less.

Written and edited by Jeffrey Brown, Jonathan Ford and

**SOUTH AFRICA** 

Johannesburg shares ended

lower, hurt by sliding gold

shares and concerns about

the economy. The all-share

index closed down 44.8 at

Continued falls in the bul-

lion price, which slipped to

a new 12% year low, helped

the gold share index fall 1.9

per cent to 701.7. Sentiment

was also hit after the

finance ministry cut this

year's economic growth

forecast to 2 per cent.

James Montgomery.

6.296.8.

MOSCOW rose by more

## Until mid-year, 1997 looked like the year the Chilean stock market would put in a strong recovery. The leading IPSA index was 15 per cent ahead by early July and seemed in good shape. Then came the start of the Asian troubles, followed by fears of devaluations in

EMERGING MARKET FOCUS

Slim pickings

in Santiago

Brazil and Argentina. Suddenly analysts were trying to disentangle the "real" Chile risk from the neighbourhood effect. The short-term risks to the economy are real enough. Lower growth prospects in Asia are cutting demand for copper, by far Chile's biggest foreign exchange earner, in a mar-

ket where over-supply was already starting to be felt. Stocks are up and prices are at a four-year low. Asian economies account for about one-third of Chile'e copper output. The impact feeds through only indirectly to the Santiago bourse, for few of the big copper producers trade

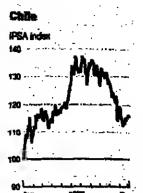
there. Other sectors are more directly affected, such as the forest products and fishing companies, which also rely heavily on Japan and other Asian markets. The most immediate effect has been an attack on sentiment and, from late October, a rush into dol-

lars, "People anticipate

The RTS index ended at 840.22, up 19.84. James Capel in Santiago. By the end of last week

the central bank was forced to intervene in the foreign exchange market when the dollar rose above 440 pesos, and it came in again on Tuesday, with an estimated \$180m.

The central bank has international reserves of \$18hn, which covers the cost of a year's imports, as well as copper and oil stabllisation funds where windfall earnings or savings are salted away. "The financial system is sound and well-



supervised, the public sector runs a steady surplus so we are as well protected as it is possible to be," says Carlos Massad, central bank president But a higher exchange

rate in real terms is bad news for the etock market. because cheaper imports have been being to bring down inflation to an estimated 5.9 per cent for 1997. Without that help, Mr Massad will have to rely on interest rates to keep the lid on domestic demand.

Thus long-term rates are likely to remain high - central bank eight-year notes currently yield 6.9 per cent in real terms. There will be rates until at least mld-1998, Ms Winslow believes, deteriorating terms of and domestic investors trade, but they also just such as the private pension feel safer in dollars, it's a funds will continue to shift psychological factor," says their portfolios in favour of Jane Winslow of HSBC fixed income paper and stay nnderweight in equitles. Pension funds munage assets of \$32bn, while the Santiago bourse has a capitalisation of about \$80bn. For foreign investors

seeking bargains, the pick ings are made slim by what many outsiders see as stiff entry restrictions. The 35 per cent tax on capital gains and a one-year lock-in period mean most foreign investors are limited to the 25 stocks with ADR programmes.

# **US** equities dip on tech downgrades

## AMERICAS

US stocks moved strongly lower vesterday as a slew of analysts' downgrades hit the computer sector hard for a second day, writes John Labate in New York,

By early afternoon all major indices were down. The blue-chip rich Dow Jones industrial Average fell by 49.24 or 0.61 per cent to 7,969.59. The broader Standard & Poor's 500 index lost 4.71 at 968.97.

continued to rise, as overseas and domestic buyers drove yields lower. By lunchtime the 30-year Treasury bond price was up # to 101 %. sending the yield down to 6.012 per cent.

Attention was focused for a second day on the technology sector, as networking and aemiconductor chip companies came under new pressures. The Nasdaq composite average, which is heavily weighted in technology shares, was down 13.25 or 0.82 per cent to 1,593.12.

Analysts lowered their ratings on several key technology shares. 3Com, the networking equipment maker, fell 6.9 per cent or \$2% to \$32% after Bear Stearns, DLJ and Lehman Brothers reduced their estimates of 1998 earnings per share.

after Bear Stearns cut the \$844m. etock to a "neutral" rating.

fell 21 per cent on Tuesday, tumbled a further \$1% to 239% after Deutsche Morgan Grenfell cut its rating to 'eccumulate".

H.J. Heinz, the foods company, gained \$1% to \$54% the day after it announced its chief executive would step down. Among Dow components, industrial equipment producer Caterpillar fell \$1% to \$49% in spite of announc-

ing a contract renewal. Banking chares were mixed in spite of the reduc-In contrast, Treasuries tion in bond yields. Citicorp was \$12 higher at \$12812.

TORONTO lost ground in morning trading as weakness in gold stocks more than offset strength in the property, financial and nergy sectors. At midsession the 300 composite index was 29.26 lower at 6,637.50. Gold stocks were hit as

Lehman Brothers reiterated Its bearish stance on the sector and recommended that investors reduce their weightings. Barrick fell 25 cents to C\$23,25 and Placer Dome came off 20 cents to

Peter Ward, gold analyst at Lehman, said he did not think that gold stocks had "fully discounted the drastic decline in gold price that has already taken place". Elsewhere, property leader

TrizecHahn received a boost after the company tron, which lost 32 per cent announced it was acquiring of its share value on Tues- the Sears Tower in Chicago day, fell another 6.8 per cent for e gross value of

Analysts said the deal Chipmaker Texas reinforced TrizecHahn's rep-Instruments lost \$11 to \$45 in tation for acquiring office after an analyst cut his view huildings at ettractive of 1998 earnings per share. prices. The shares rose 95 Chips group Altera, which cents to C\$35.30.

## São Paulo hits 10,000

SAO PAULO breached the magic 10,000 barrier at the shares give up early gains as opening, with the Bovespa the market succumbed to a Index touching 10,049 in bout of profit-taking after six early trade. However, the euccessive rising sessions. market later tracked Wall By midsession, the IPC index Street into negative terri- was 37.7 lower et 5,038.97. tory, and by midsession, the index was et 9,943, down 21. BUENOS AIRES moved in line with its neighbours, Dealers said that investors with the Merval index standwere continuing to take prof- ing 0.75 lower at 688.15 by lts in blue chips.

Telebras was s victim. ter than expected results. the shares fell back to stand BUENOS AIRES moved in

Strongest risers were prop-Having touched R\$24.50 at erty developer Irsa and conthe start after reporting bet- etruction group Corcemar, which gained 2.7 per cent and 2.2 per cent respect-

close FFr32.00 or 7.6 per cent lower at FFr388. Steelmaker Usinor was

well dealt at 2.1m shares, sliding FFr3.40 or 3.5 per cent to FFr92.90 on talk of softening European demand. The news of heavy retrenchments at Finnish telecoms equipment leader Ericsson sent Alcatel Alsthom down FFr22.00 to FFr734.

Valco brought some relief to the bulls, eurging FFr13.70 or 3.5 per cent to FFr404.7 after a French press report hinted at a near doubling of the dividend for this year. Oil prices staged a modest

recovery, helped by the sudden burst of cold weather in Europe, and Elf Aquitaine rallied FFr7.00 to FFr671. The CAC 40 index eoded 10.74 lower et 2.902.35. Among second-liners, a Goldman Sachs npgrade and

a reset target share price of FFr740 lifted luxury goods group Christian Dior by FFr20.00 to FFr652. FRANKFURT see-sawed

through the day before endending a quiet session 4.23 ing slightly lower, weighed lower at 909.47. Philips, hit down by a weak start on by high tech worries in the Wall Street. The Xetra DAX US, came off steeply, as did index fell 21.85 to 4074.55. KLM where investors took Engineering group Manfright at a renewed wave of

-2.12 -9.29 -4.94 -4.32 -1.15 +3.36

Zurich rumours lift dull day

nesmann was the main feature, rising DM32 to DM877.50 after Merrill Lynch upgraded its recommendation from "buy" to "accumulate", and increased lts 12-month share price target to DM1,025 from DM920.

Merrill said the upgrade reflected its more positive stance on Mannesmann's mobile and fixed-line telephone networks, which have been building alliances in France and Italy and are "excellently positioned" for next year's European telecoms deregulation.

Elsewhere, a sell-off in European telecoms-related technology stocks weighed on Slemens and the stock fell DM1.25 to DM106.70.

Deutsche Babcock continued its strong run following ted results, adding DM4.65 to DM102.

HELSINKI and STOCK-HOLM were dominated by e sell-off in telecoms stocks, hit by Tuesday's announcement from Ericsson of Sweden that it plans to cut 10,000 jobs.

Bank of America reduced lts 1998 estimates for Ericsson and its Finnish rival, Nokia. Both stocks came under additional pressure from a Merill Lynch downgrade. Ericsson fell 5Kr20 to SKr297 and Nokia FM30 to FM404

Analysts said the news had reawakened concerne that the market for mobile telephone handsets might be slowing. Ericsson and Nokia dominate their respective markets so the sell-off helped push Stockholm lower, with the general index down 45.98 at 2,994.55. In Heleinki, the general index finished 82.85 lower at

3,357.97. AMSTERDAM remained in low gear with the AEX index

# INTERIM REPORT ON THE FIRST NIME MONTHS OF FINANCIAL 1997



Microchips are guiting smaller and smaller - provided the substances used for processing. the silicon get piner and purer.

Total Chemical Management b fuse one example of our experies to the Pharmacouticals, Laboratory and Chamicals sectors. Our specially is the future.

Sales by the March Group totaled DBM 5,849 million in the first nine mouths of 1997, up 14.8% the result (BBT) for the same period grew week faster, rising 18.5 % to DEM 821 million. Cash

Inditions of DEMI CHASTON OF S 1995 Chapter in S Sales (200 Carrier 1990 Carrier

| Constiting | Con

Surope was the most important region, accumung for 57% of salest followed by North America (10%). Asia (14%) said Latin America (10%). Partied by currency developments, salest gravito, was measured to North America (up 20% to DEM 400 million). Business Sectors Pharmaceuticals. With sales up 18 % in DRN 3,411 million, this sector was

care upon the key angine for both salet and project. Sales of Streets amounted to Olive (AST pullion (+ 7%), while the Country segment grow most up AT X to DEM (OT pullion, without any acquisitions: OTC products also showed positive growth: Laboratory. Despite only modes: market growth and rucing competition.

sales in this engage rose by more than 6.5% to DEM 1,347 million. North America, Latin America and Asia showed duplicativity growth, improvemental and Blosmalysis products so well as Analytical Reagants were particularly

Chemicals. Sales in this sector role to Disid 1,125 million 1+16 %; Above average growth was posted for Electronic Chemicals (+22%) and Liquid Creatals (+75%), used for example for mobile telephones and laptop displays. The Planeris and Committee division achieved a 16% increase to sales pay that y due to the disposed product rate: Outlook

1997 will be a mischaful year for Marck Bustness conclutors are all three sectors combined to be positive, especially abroad. Profits from the sale of the Harmal dermanding product hosiness will further emission tile year's cosult

For further information, please contact: Merck KGsA, Prenkluster Stresse 250. 64271 Darmstaft, Germany investor Relations Tel.: +40-61517923818 Fax: +49-51-517.72-31-64\* Corporate Communications Tel. +49-61-51/722212

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# Financials undermine Tokyo

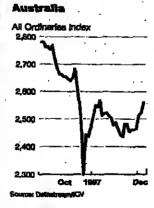
## ASIA PACIFIC

Shares in TOKYO drifted lower as fresh weakness emerged in financial sector and high-technology shares, writes Gillian Tett. The Nikkei 225 average

closed 1.9 per cent lower at 16.585.51, after briefly rising ebove the psychologically important 17,000 barrier at the start of the week. However, trading was muted ahead of the gross domestic product data released after the markets

had closed. Turnover was 457m, down from 563m the previous day. Traders warned that tha more significant market movements were likely to come today, after investors

had digested the figures. The data were weaker than expected, and could trigger another fall in share The GDP data, which refer to the third calendar quarlarly important because they the weakness in the economy seen over the summer at Y130. did not stem from April's



Financial stocks dominated yesterday's trading, as investors continued to reassess the sector after the closure of three major institutions last month.

Yamalchl Securities, which announced it was closing last week, was the prices, some traders said. most heavily traded issue, with 92.8m shares changing hands. It ended steady et Y2. ter, are considered particu- Daiwe Bank, the second most heavily traded, added provide the first signs that Y15 at Y330 while Yasuda Trust Bank closed Y8 lower

SYDNEY pushed higher All Ordinaries index adding foreign share ownership ceil-

There was said to be keen 55 per cent from the current bargain hunting among 26 per cent, prompted a late resonrce stocke. WMC rally. gained 31 cents to A\$5.18 and Comalco rose 22 cents to as 5 per cent during the day, A\$6.22. BHP advanced 47 the composite index ended at cents to A\$14.81 and Rlo 379.31, up 2.44.
Tinto 40 cents to A\$16.90. RUALA LUMPUR ended Among retailers, Wooiworths ross 17 cents to ued its cantlous recovery A\$4.87 and Coles Myer 12 from recent lows. However, cents to A\$7.70. In banks, volumes were very thin and

A\$10.75 and NAB 34 cents at A\$20.44 WELLINGTON rose 53.19 or 2.3 per cent to 2.391.94 on the 40 capital index following e strong rally for NZ Telecom and forestry shares. Telecom gained 27 cents to NZ\$8.76 and Fletcher Challenge Paper gained 18 cents

to NZ\$2.45. SEOUL ended little changed after a turbulent session dominated by South Korea's bail-out agreement with the IMF.

Although the formal announcement was delayed until after the market's at 11,207.58, up 8.77. close, details of the package leaked out towards the end of trading. News of drastic market

Having fallen by as much

higher as the market contin-

ANZ added 40 cents at brokers cautioned against reading too much into the rise. The composite index ended 11.11 higher at 548.06. TAIPEI finished almost 3

per cent higher as investors, encouraged by signs of greater liquidity in the market, shrugged off political worries. Paper, steel and textile shares all gained more than 5 per cent. The weighted index rose 222.98 to 7,902.B51.

HONG KONG had a volatile session with the Hang Sang index ewing through an arc of almost 800 points before closing little changed Volume fell back from

Tuesday's high levels although dealers reported interest from foreign instituconsumption tax increase for the fourth day, with the opening measures, with the tions during the afternoon

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glance as ...

inside

Financing...

People, The environment, Page 2 Commercial vehicles Pages 3-6 Japan, Korea, P5 US, Brazil, eastern Europe



FINANCIAL TIMES REVIEW OF THE AUTOMOTIVE INDUSTRY

Thursday December 4 1997

Haig Simonian considers the decision of three luxury carmakers to unveil their latest concept models far away from their environmentally-sensitive domestic market

# German muscle is flexed overseas

Not even Nietzsche could unravel Europe - Germany in particular the paradox of Germany's big carmakers at present. At the Tokyo motor show in October, Mercedes-Benz, Volkswagen and BMW astounded their rivals with a trio of overblown and overpowered new models.

Mercedes-Benz showed off the Maybach, its concept for the plutocrat's car of the millennium. Longer, fatter and with much more muscle than its flagship limousines, the Maybach marks the company's hid to rival Rolls-Royce. If Asia's current financial woes prove passing, the car, intended largely for the region's ultra-rich, should go on

VW focused on the shocking yellow sportscar built to showcase Its massive new 12-cylinder, 5.6-litre engine. The show-stopping supercar, built in record time, highlighted the ambitions of Ferdinand Plech, VW's combative chairman, to take on Mercedes-Benz in the luxury car league.

Not to be outdone, BMW revealed its Z07, a two-seat convertible with the performance to leave most Ferraris at the lights. Although the company has not committed itself to putting the car, expected to cost about DM200,000, into production, It looks certain to go ahead.

The Germans' obsession with engineering machismo at Tokyo was not surprising: the companies were sending a message to Japan and to upstart manufacturers from Asia that

was still a force to be reckoned with: The weak D-Mark, greater labour flexibility and an unparalleled new product offensive have shown Germany's leading carmakers in excellent

health. Tellingly, however, the Germans chose to display their new ideas in Tokyo rather than their own premier show in Frankfurt the previous month. Such ostentatious cars - even if only concepts now - would have been lambasted by Germany's powerful Green movement.

Indeed, the high-powered German products contrasted starkly with the raft of environmentally-minded new products and concepts revealed by Toyota, Honda, Mitsubishi and Japan's other marques just across the central corridor. The Japanese may have been

influenced by the timing of this month's big UN conference on climate change in Kyoto - the largest such gathering since the Rio Earth Summit of 1992, But their commitment to greener vehicles powered by alternative fuels appeared both commercially-driven and genuine.

The contrast has provoked doubts about how accurately Germany's carmakers are reading the public's mood. Such doubts about possible . misconceptions have been heightened by recent upsets. suggesting some of Germany's car companies may not quite

have their fingers on the pulse . or may be biting off more than

The mishaps involving Mercedes-Benz's new A Class car have already been chronicled exhaustively in the media. Seldom has so proud a company been so humbled. Fewer pundits have noted the company's equally embarrassing decision to ditch a planned new four-cylinder engine range because it did not perform adequately.

Not that VW, which appears to be making a mission of challenging Mercedes-Benz, has reason to glost. Production of the new Golf has been disrupted by VW's eleventh-hour decision to strengthen the car's door pillars.

Such modifications just hefore volume production are highly unusual and call into question VW's own test procedures.

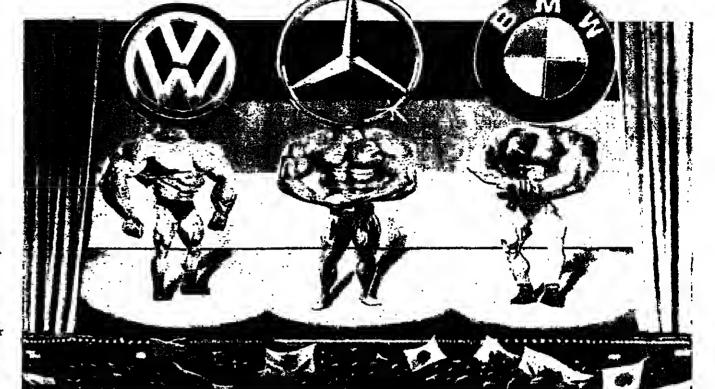
Dealers have been left starved of product - to the extent that VW may compensate some German outlets which organised special

launch parties only to discover

they had been sent no Golfs to The resurgence of the German motor industry – including Porsche's revival and productivity gains at Ford and Opel - has been impressive, and belied doomsters who argued Germany would be marooned competitively by high costs and inflexible workers. But the latest events at Mercedes-Benz and VW

indicate not all is in order yet, no

matter how soaring their latest



# Prospects looking bleak in Asia

The economic earthquakes home market has softened the motor industry in both

cars and commercial vehicles in Europe and the US should take Asia remain unchanged. Even up some of the slack. currencies elsewhere.

But from Tokyo to Thailand. There are three broad categories: • The Japanese look secure. The Independent long enough to higher prices for

convulsing Asia and occasionally hecause of the weak economy rocking South America have and increased domestic sales tax already rumbled ominously for Bnt although exports to south-east Asia will fall, the weak yen and manufacturers' Long-term growth forecasts for strong ranges mean sales to • The principle of "last in, first implications of the Asian crisis

shorter-term prospects for India • South Korea's carmakers face and China, potentially the a tougher task. Turning to the region's biggest markets, have International Monetary Fund not been downgraded in spite of spells belt-tightening at home, bottoming bourses and collapsing where the market is already saturated. Exports will be easter because of the wobbly won. But prospects elsewhere in Asia look their perilous finances mean it is bleaker for the next few years. by no means certain all Korea's

In spite of the government intervention, and Ssangyong look weak; even mighty Samsung might have to scale back its motor industry ambitions.

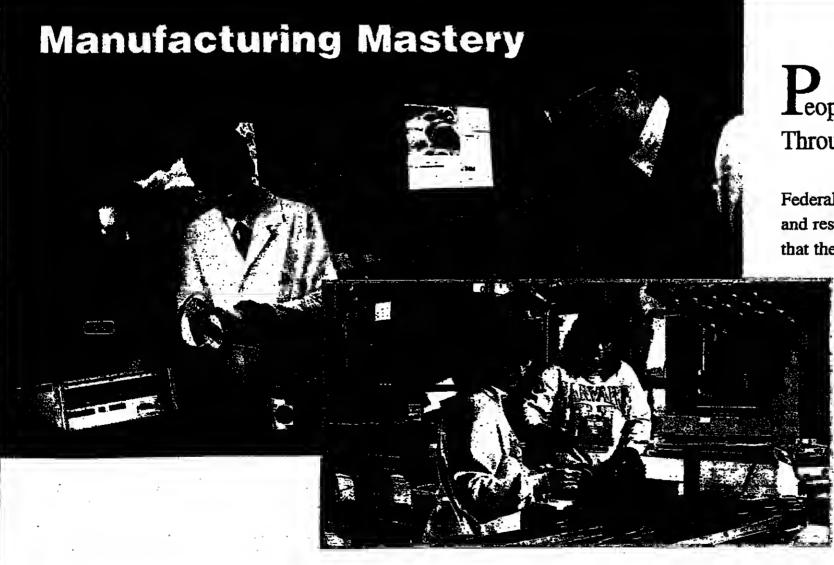
out" during crises suggests the are for Indonesla's upstart region's newest carmakers will be most at risk. Proton and Perodua in Malaysia, Timor, and to a lesser extent, Bimantara, in Indonesia, all have big growth plans which now look awry.

The Malaysians are better placed than their Indonesian hard-pressed Asian partners for counterparts. But even Proton will be pole-axed by crumbling carmakers will remain domestic demand and steeply

enjoy stronger sales abroad. Kia, yen-denomlooted technology lt buys from Japan. The cheaper ringgit will help exports, but foreign sales account for only a small part of turnover.

What the long-term carmakers remains unclear, but the prognosis is not good. Timor was already struggling; its prospects look dire now. Others, such as Bimantara, which planned to expand their motor activities - and depended on now cash and technology - can bardly

Haig Simonian



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# The environment

# Hayek takes Smart step to his dream

Micro Compact Car plant at there are signs the bybrid has always been on Hambach in eastern France, irrepressible Mr Hayek, who the cards, he explains. "I Nicbolas Hayek, the wears up to three watches flamboyant head of group, bas moved a step closer to his dream of mass-producing the world's' most revolutionary car.

When sales of the Smart mini-vehicle start in continental Europe next March, Mr Hayek, an the German group with 81 engineer who became per cent of the joint venture. Switzerland's "clock king", Mr Hayek denies the sale will see the realisation of an ambition which dates back to 1988. That was when be first batched the idea of building a tiny two-seater "Swatchmobile" to promote urban mobility and cut city-centre congestion and

Although the reception from many carmakers was frosty, both Volkswagen and Renault appeared receptive. "The auto industry is very conservative. They work in a fortress," Volkswagen pulled out of the project, to be replaced by Mercedes-Benz.

The Smart could soon become a familiar feature on urban streets. But as Smarts will be petrol and

shake-up at Ford of Europe

was Keith Magee, bead of

merly the top Ford man on

barely 18 months after mov-

The background to the

changes, which mark the

return to Europe of Jim Don-

writes Haig Simonian.

on each arm to showcase Switzerland's SMH watches SMH's 14 brands, may already be turning his attention elsewhere.

In a complex deal in August, SMH sold the majority of its 49 per cent stake in Micro Compact Car to Mercedes-Benz, leaving was forced on SMH because of a slump in its share price as the investors started to fret about the financial burden of developing the Smart. "There had always been an agreement on what the investment would be,

then Mercedes-Benz pushed it np. When we got the number, we said 'wbo's going to finance this? This company makes SFr3.1bn. That's about two weeks business for Mercedes-Benz." In return for selling part of SMH's stake in the joint venture. Mr Hayek took control of the MCC subsidiary behind the hybrid variant of

the mini-car. While the first

Truck Vehicle Centre in the

Many pundits see Mr Don-

aldson's return as president

abolished under Ford chair-

Trotman's beir apparent.

The other surprise retur-

nee is Henry Wallace, who

has made a name for himself

sorting out the mess at

US, are still unclear.

Magee the big casualty in Ford's changes

the cards, he explains. "1 wouldn't have entered into an agreement (with Mercedes-Benz) if we didn't have a development programme." The precise timetable for

launching the bybrid remains unclear, as do its technical details. The car will be powered by an internal combustion engine, which will generate electric-ity to power tiny motors on each wheel. The car should be economical enough to reach the motor industry's so-far unachieved goal of travelling at least 100km on three litres of fuel - a big step to silence environmen-

But while the hybrid is intriguing, it is the possibility of a four-seat Smart which is most perplexing analysts. Mr Hayek himself is uncharacteristically silent on the subject. All he says is to develop the hybrid as be wishes. That could involve different body shapes, such as a four-seater or another partner, he says. Mercedes-Benz's reluc-

tured in Mazda's advertising

Mr Wallace's return to

Europe - also in a new posi-

tion as chief financial officer

and head of strategic plan-

ning - is said to be for per-

sonal reasons. Mr Wallace

limited: although appointed

president of Mazda in June

last year, Mr Wallace went

out to Hiroshima as execu-

tive vice-president in Decem-

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Market impacts of the EU's Auto Oil programme

Mr Wallace, who has



tance to get involved with a hydrogen-powered fuel-cell. bigger variant may stem from the fect that It has that the deal cut with Mer- already put its eggs into cedes-Benz leaves him free another basket. The new A Class hatchback is Mercedes-Benz's answer to a four-seat minicar. The company has also pursued a different line

says he only accepted the

would be for no more longer than 18 months. But for Jap-

anese managers used to mar-

rying the company, his time

at the ton looks embarrass-

ingly short and may increase

He has been succeeded by

Jim Miller, one of a handful

of Ford executives para-

chuted into Mazda and seen

for some time as his natural

That leaves the ebullient Mr Hayek free to concentrate on pushing ahead with other versions of the Smart. "For me, solar power is the real fuel of the future, but only if I live to be 500 years old," be says.



# Haig Simonian

# The 'green agenda' comes under scrutiny

Haig Simonian talks with the Renault chairman ahead of the Kyoto environmental conference

Environmental issues are in the air again as leading policymakers and lobbyists meet in Kyoto this week for the biggest conference on climate change since the Rio "Earth Summit" of 1992.

Bot while environ-mentalists stand together in their demands for tougher reductions in carbon dioxide emissions - widely seen as a cause of climate change the motor industry is divided in its response.

Europe's carmakers have responded more subtly than their "Big Three" US connterparts. General Motors. Ford and Chrysler are among the leading supporters of the Global Climate Coalition, the US pressure group that bas spent about \$13m lobbying Washington to oppose any deal on limiting the consumption of fossil fuels.

By contrast, Louis Schweitzer, president of the European Automobile Makers' Association (ACEA), wields no big sticks. "The problem of global warming is a global problem. Europe

must do lts fair share." But the Renault chairman cars to go beyund just emotional objections. He is not surprised that cars have become a focus of But as the average age of environmental ire. "The vehicles in circulation is motor industry is Europe's rising, the industry is used and on road and traffic biggest manufacturing running just to stand still, conditions in general, he

problem of pollution is not caused by new cars. "The problem is not with new sold before environmental legislation came into effect,"

Louis Schweitzer: "Europe must do its fair share"

his point with figures. "In France, 80 per cent of the pollution from motor will not necessarily climivehicles comes from the 20 wants to encourage critics of per cent of vehicles which are relatively old." The motor industry bas made strides in reducing pollution.

sector and symbolises he argues,
private consumption." "The key problem to
But be argues that the Europe is that the stock of cars is getting older. Whatever is done to reinforce that trend is had for the environvebicles, but with the ment. It also happens to be existing stock of vehicles bad for the motor industry."

Mr Schweitzer is bullish about the long-term impact Critics have claimed such of technology to cut emission levels. However, there

first is affordability. "If new cars are not affordable, they tion," be says,

The second concerns driver education. Pollution does not just dependen on a vehicle's absolute fuel con-

Sucb arguments cuntrast with the much bigger public by US carmakers. Detroit has warned about job losses and recession if Washington agrees to limit fossil fuel

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management

became a bousehold figure worked outside his native

in Japan, where he even fea- UK for the past 17 years.

promised his family his Jap- resistance to other foreign-

anese stint would be strictly ers moving into Japanese

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The biggest casualty of the Ford's immensely profitable

this side of the Atlantic, of Ford of Europe - a post

A genial Iowan whose wife man Alex Trotman's Ford

worked as a volunteer in a 2000 restructuring process -

London soup kitchen, Mr as further evidence that Magee is retiring at the less- Ford 2000 is being partly

than-fulsome age of 51 and unravelled by Jac Nasser.

aldson, a 54-year-old Scot Mazda, in which Ford has a

who previously was bead of controlling stake. Wallace

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# New and updated





# Waiting for the wraps to come off

The torrent of new products timed for the Frankfurt and Tokyo motor shows this autumu has now dwindled . to a trickle as makers of cars and commercial vehicles have closed the lock gates on details of their new vehicles for next

Among the most eagerly will be the next-generation Renault Clio and the revived Pengeot 205 - probably to be called the 206.

New arrivals from Germany will include Mercedes-Benz's latest luxury S Class and the convertible version of Porsche's new 911. The new year will also bring VW's New Beetle, to be premiered at next month's Detroit motor show, and possibly the VW version of the Seat Arosa minicar.

new products up their sleeves, manufacturers have providing glimpses of what is to come for fear of damaging sales of their

existing models. With a press launch in February of its A6 Avant. Audi has been one of the pictures of a 1998 model. The new A6 Avant - as Andi calls its station wagon derivatives - retains the sharp styling which made the saloon one of the most striking newcomers of

BMW has also released early pictures of its new 8 Series, to be launched at the Geneva motor show in March. As expected, the new 3 Series closely follows the styling of its predecess and looks like a scaled-down 5 Series saloon. But not all BMWs are clones. The striking 207 concept car, displayed at the Tokyo show last October, should form the basis for a DM200,000

In spite of having so many

the most important new arrival of 1998 will be Ford's Expected to be styled radically, with a swoopin roofline and high-mounted tail lights, the new car hould be seen in the metal for the first time at the Paris motor show in

October.

More in the mainstream,

German companies will also be active in commercial vehicles next year. Mercedes-Benz will reveal the Atego, the light-medium counterpart to its beavy-weight Actros. Pictures remain verboten, although some trade publications have claimed

Next month will see the sales debut of Toyota's Avensis, a heavily revised successor to the routine but ultra-reliable UK-built Carina E.

Already available in some continental European markets - but not in the UK

until January – is the oew Lexus GS300. Reflecting its greater awareness of the need for more distinctive styling in the executive car segment. Toyota asked Giorgetto Giugiaro, the Italian design guru behind the previous GS300, to spice up the new model with a

A 1500

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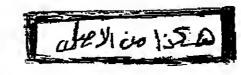
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treatment. Meanwhile. Alfa Romeo's stylish 156 saloon, mentioned on these pages in an earlier issue, was the surprise winner of the 1998 European Car of the Year award, announced last month. The Alfa is a fine car, and may, as parent spearhead Alfa's long-beralded revival. But few observers believe the Alfa would have won but for the much-publicised problems of Mercedes-Benz's A Class, otherwise the almost certain winner.

Haig Simonian



Audi A6 Avant: sharply-styled station wagon



# European sunshine clouded by Asian worries

Worldwide uncertainties will lead to manufacturers redoubling efforts to cut costs and establish joint ventures, says Haig Simonian

After a tongh year in most markets, the outlook for the world's biggest commercial vehicle groups was looking up a little for 1998. But, just as the gloom was starting to lift in Europe and demand climbed even further than expected m North America, economic uncertainties in Asia and South America clouded the

The new doubts caused by the crises of currencies and confidence in emerging markets means analysts are downgrading their forecasts for world demand in 1998. And they are warning that the predicted climb in sales may not fuel higher profits as pricing may remain weak or even soften.

Such commercial uncertainties are likely to accelerate the two decisive trends driving the commercial vehicles industry. Manufacturers will redouble their efforts to reduce costs by developing more modular products, and they will work even harder on joint ven-

unmistakable in recent months. Volvo has tightened its links with Mitsubishi, its partner in the Nedcar passenger cars joint venture, to include trucks. It is still may include engines and unclear how far the relation- axles. ship will go. However, Volvo has agreed to market a light Mitsuhishi truck alongside its own 7.5-tonne model in Europe from January. The chase last year by Paccar, two will also develop a one of the biggest US truckweight 7.5 to 18-tonne products. And Volvo may supply



announced plans to work together on davaloping shared parts for future 6-to-19-tonne vehicles. The deal is expected to involve cabs, but

The mova is telling for both manufcaturers: it gives the first pointer to Daf's strategy following its purfuture generation of middle- makers. And it shows Renault's commercial vehicles side is now belatedly striving to improve its lacklustre

That strategy lay behind Renault's decision earlier this year to sell its exhaust parts and air tank operations to Nalson, a US specialist, and effectively divest some

of its gearbox activities to

ZF of Germany, its existing

The French group is also trying to harness economies of scale in its light van busi-ness hy working more closely with GM. Under their deal, GM will rebadge Renault'a existing Trafic range to be called the Arena by GM in Britain. At a later stage, the companies will

be built in Britain by IBC, the GM-Isuzu joint venture, and by Renault in France.

Closer co-oepration is also under way at Leyland Trucks, the independent UK truckmaker which produces tha 45 and 55 light-mediumweight range for itself and Daf. The signs are that Leyland Truck is also strengthening its links with Isuzu, for which it is already building light trucks under contract, amid signs it will next launch a Leyland-assembled 7.5 topper

after closing the assembly unit at its Magirus-Deutz subsidiary in Germany. Truckmakers have also accelerated their efforts to develop more modular products. Virtually avery new

swallowing unpleasant medi-

cial health. In May, Iveco

closed its Langley truck

plant in the UK, transferring

production of the Cargo to

its main Brescia factory. The

group has also concentrated

cah production at Brescia

vehicla on the market has been designed to share companels, such as cab doors with other products in a nanufacturers' range.

Mercedes-Benz, the world's

higgest truckmaker, expects to save about DM1bn a year from simplifications to its Actros beavy range. The Actros requires far

fewer parts, cutting inventories and money tied up in working capital. And it is much easier to huild than its predecessor, increasing productivity at the Worth plant.

Mercedes-Benz'a strategy sbould emerge even more clearly with the launch of its

vehicle, called the Atego, is expected to share many features with the Actros.

Joint ventures and modularisstion may not he enough, however, to see the industry through potential minefields ahead. Scania predicted big savings in assembly times for its new 4 Series heavy vehicle last year. In fact, the range has turned out to be significantly more expensive to produce than expected, partly explaining the sharp deterioration in Scania's profits since its flo-

tation. Volvo's plans to save money by developing a fam-ily of modular heavy trucks around the world have also been becalmed. The problem is oot the product: the new US-huilt VN range shares much with the well-regarded FH family sold in Europe, Volvo's US problems, rather, have stemmed from its sliding market share which has still not been fully reversed, in spite of the unexpectedly buoyant US market this

Wbetber more joint vectures and use of modules will be enough to improve truckmakers' profits and maintain the indostry's the company will invest in a current structure remains uncertain, howaver, Much depends on demand in South America - where most of the hig manufacturers huild vehicles - and Asia, where they are less - hut still significantly - exposed.

vation will not come from any windfall rise in demand, nor the surprise collapse of one manufacturer, helping to reduce the industry's

chronic overcapacity. Daf, the smallest of the main European truckmakers link, has found a strong new parent in Paccar, Attention has now turned to the future of MAN, the next-smallest brand, amid speculation it may be snapped up by Volkswagen. Even Scania's future has come into ques-

External salvation has been no more appareot in North America. This year's widely-predicted collapse in beavy truck sales turned into just the opposite and demand should recover even more next year. That has probably postponed any futher rationalisation in the industry, in splte of the widely-beld belief that this year's decision by Ford to pull out of heavy trucks may not be the last of its kind,

Even Navistar, for many analysts a chrooically weak producer, has gained o new lease of lifa in heavy trucks after a union deal, meaning new Class 8 product,

The upshot of the changes is that while the pain in the world of commercial vehicles - especially heavy trucks has not worsened significantly, it has not got any better either.

# Local rivals battle for a bigger share

Peugeot-Citroën and Renault have seen contrasting fortunes over the past year, writes David Owen

## FRANCE

Commercial vehicles have had contrasting effects on the fortunes of France's two main motor companies this

At Paugeot-Citroen, the success of the group's light commercial vehicle range helped it offset the impact of a severely depressed domestic car market and report better-than-expected first-

At Renault, a strikingly improved interim result was nonetheless weighed down by a FFr216m loss at its Renault VI truck and busmaking unit. The full-year loss is also expected to be "significant", although smaller than last year's loss of more than

The company was hit by what it called a "price war in Renault has also forged an Europe". Its European mar-allianca with General Motors Europe". Its European market share dropped to 10.8 per of the US to develop and cent, against 12.1 per cent in manufacture panal vans. the first half of 1996, on a The project will result in a market for trucks over 5 replacement for the Trafic tonnes which contracted by van range, which has been more than 10 per cent.

Now, however, the Bou-logne Billancourt-based com-the sector but which is now pany is making a concerted effort to turn the tables. This autumn, it launched a light Trafic raplacement is commercial vehicle offensive expected to run to FFrL5bn. designed to wrest back leadership of a European market Renault VI has invested which is growing faster than the car market and is said, for tha moment, to offer better profit margins. Renault medium truck range. was the leader for 13 years before losing its position in segment of the European

To make matters worse. leadership has now been taken by local rival Peugeot-Citroën, which claims 17.4 per cent of tha European market, with sales up more than 30 per cent in volume compared with the first nine months of last year.

The two new Renault mod-

els are the Kangoo Express light van, which was launched in Franca in November and will be available throughout Europe by early next year, and the new Master commercial vehicle. They are likely to provide strong competition for rival manufacturers, including Peugeot-Citroen, whosa recent auccess has been largely attributable to tha Peugeot Partner and Citroën Berlingo models, hoth launched in July 1996.

In the longer term, one of Europe's biggest-selling vehicles in one

more than a decada old. Overall investment on the In the truck market, too, heavily in new models in recent years. May 1996 saw the launch of the Premium

market is particularly com-

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product sectors or market regions? We add advantage and reduce risk." - Karl E. Ludvigsen, Chairman A hold claim, Mr Ludvigsen. But you can back it up with the bundreds of projects your company has carried out for auto makers, truck producers, suppliers of parts, components and materials, vehicle distributors and shippers, financial institutions and many other businesses in and around the world motor industry. A common denominator, you say, is your

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all parts of the world for your blue-chip clients. They know Ludvigson as the value-adding consulting and services company dedicated since 1983 to supporting the motor industry - and ready to assist the reader of this

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Renault's Kangoo Express has been launched in France; soonit will be available throughout Europe

tion, with more than 22,000 mium. orders notched up by tha FFr300m in all on launch unveiling its facelifted Mag- tonne range, meanwhile,

■ Light Commercial Vehicles (up to 6 tormes)

22,781

end of October. It spent attention to heavier models, venerable Midliner 7.5 to 15-

11,403 8,479

10.582

petitive, the company claims coats in 1996, of which num in June and replacing to have had a strong receptive. FFr250m was for the Pretine Maxter heavy-duty truck with the Kérax. The long-This year it has turned its awaited successor for the

25,799

12,049

26,163 10,395

12.529

9,685 11,604

of the decade.

The company is also making concerted efforts to cut costs by co-operating with rivals oo specific projects. This year has brought new co-operation agreements with Daf Trucks and Nelson of the US, as well as the reinforcement of co-operation on gearboxes with ZF of Germany. A further cost-saving initiative is to try to make the most of synergies hetween the company's European operations and its Mack Trucks business in the

Analysts think the company, whose geographic base is narrower than some rivals, should benefit from a recent upturn in the key French market. "They have been through fire and water," says John Lawson, motor industry analyst with Salomon Brothers in London. But "France is going to have a much better end to the year than the start".

2001

6,612 11,273

2002

24,445 46,508 25,379

European truck demand by sector

Germany	. 268,031	262,525	249,774	267,977	271,713	263,429	261,135	263,860	261,96
Haly	113,878	140,016	144,808	142,110	145,489	143,341	. 140,805	139,124	138,37
Netherlands	41,931	51.032	65,115	72,111	73,344	74,413	76,42S	73,827	72,16
Norway	18,832	19.933	18,773	20,274	16,485	17,693	17,423	17,498	18,31
Portugal	74,278	54,581	71,318	78,115	79,726	83,281	82,412	80,648	78,39
Spein	109,059	111.838	128,216	151,102	153,631	155,562	153,652	148,637	143,73
Sweden	8,617	11,401	. 15,480	17,591	16,581	15,816	16,187	15,138	14,80
Switzerland	19,583	20.552	20,997	23,420	26,347	27,761	29,969	28,281	. 26,49
LIK.	172.745	188,547	194,877.	211,538	217,480	219,153	218,823	214,877	209,039
Total	1,190,340	1,284,847	1,350,733	1,431,156	1,460,562	1,464,307	1,458,406	1,434,861	1,405,40
# Medium tru	cks (6-15 tonn	66)				: .			
Austria	1,285	1.190	1.024	906	983	1,007	976	955	96
Belgium	1,570	1,658	1,814	1,781	1,856	. 1.892	1,732	1,572	1,61
Denmark.	515	599	568	544	551	561	. 524	465	44
Ere :	840	825	762	627	769	824	805	757	65
	197	335	409	347	359	. 330	. 371	470	42
Finland	7,533	9,350	9,461	6.062	10,211	10,546	10,775	11,022	10.90
France			27.021	26,487	27.218	27,692	28,041	27.723	27.18
Germany	29,010	29,886				8,258	8,945	9,632	9,76
italy	6,811	8,533	8,556	7,643	7,784			1,902	1,87
Netherlands	1,904	1,626	2,094	1,912	1,928	1,956	1,977		
Norway	774	953	929	. 951	802	768	840	879	750
Portugal	1,624	1,358	1,192	1,480	1,865	. 2,219	2,042	2.184	. 2,27
Spain	4,707	5,523	5,211	5,836	8,536	8,209	6,871	7.195	. 7,450
Sweden	435	. 442	544	603	. 627	849	668	633	624
Switzerland	277	· . 315 ·	271	281	. 302.	339	362	.392	. 36
UK	15,448	17,220 -	17,102	14,895 .	15,629	16,494	16,993	16,852	. 18,19
Total	72,980	79,821	76,958	73,355	77,A20	79,744	81,922	82,613	81,46
■ Heavy truck	cs, rigids & arti	cs /15 torines	olus)						
Austria.	4.478	4.881	4,669	5,285	5.276	4,967	4,717	4,883	5.24
Belgium	4,833	7,176	6.342	7,105	7,467	7,676	7,062	6,523	6,65
Denmark	2,763	4,237	4,139	4,105	4,277	4,532	4,163	3,750	3,53
Ere	1,509	1,638	1,930	1,640	1,643	1,477	1,638	1,964	1,869
Ficiand	1,409	2,377	2,198	2,010	1,882	1,913	1,960	2,063	1,88
France	24,814	31,924	33,666	29,055	30,267	32,293	33,954	35,211	34,57
	36,412	42,305	40,549	41,926	42,984	43,216	43,069	41,681	41,300
Germany	9.860				13,463		15,558	16,109	18,393
ttaly		15,443	16,280 .	14,208	11,603	14,703 12,300	12,535	11,724	
Nettre	8,829	10,871	12,448	11,109					11,323
Norway	2.055	2,755	2,945	3,034	2,220	2,145	2,315	2,463	2,057
Portugal	1,432	1,905	2,148	2,609	3,008	3,094	3.049	3,176	3,231
Spain	7,448	11,815	10,957	13,369	13,816	12,108	13,006	13,595	13,912
Sweden	2,115	2,841	4,611	3,299	3,129	3,484	3,811	4.075	3,85
Switzerland	1,746	2,497	2,518	2,244	2,433	2,744	2,956	3,111	2,999
UK	26,968	32,556	30,056	25,010	26,335	29,230	31,176	31,488	30,153
Total	136,671	175,001	175,452	166,208	169,785	175,885	180,969	181,818	178,992

24.654

14,753

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off the Renaul chairs VITOITH TO COME TO COME

# Two-horse race has a fresh competitor

Stiff competition from Germany has put Volvo and Scania under pressure, writes Tim Burt

## SCANDINAVIA

Scandinavia's commercial vehicle industry bas long been a race between Scania and Voivo, the Swedish manufacturers. But in the past year they have seen their market sbare in Europe threatened by an increasingly aggressive Enrope.

The Scandinavtan manufacturers, regarded as some of the most cost-efficient in the industry, have been squeezed by their German rival's decision to adopt a highly competitive pricing strategy in a bid to

So, although orders in Europe are almost 20 per cent higher than last year, northern Europe's truck manufacturers have yet to see the benefit - particularly

The former commercial vehicle flagship of Sweden's Wallenberg business empire, which was floated last year, appears to be more vulnerable than Voivo to pricing preesure from Mercedes-Benz because of its dependenca on the heavy

truck market. Unlike Volvo, Scania does not have the broad product range or geographic spread to offset problems in its own backyard. It admitted as much recently when it to offset pricing pressures in warned that the pricing Europe.
climate would hold back its While Scania saw pre-tax

successor to its Series 3 large size in the industry, vehicle. When it first some analysts question launched the truck, on which moch of its future profit depends, the company bad hoped to realise bus significant productivity gains and command

whether it can continue to

grow organically. If not, it will have to look for alliance

ment recently showed it

shared those concerns by

announcing plans to extend

Japan to include trucks. The

cars on the same production line in the Netherlands, have

agreed to develop a new line

of medium-duty trucks and

While the deal promises economies of scale, it should

also give Volvo access to

ier vehicles.

partners or sequisitions.

premium prices. So far, that has not - at least in its co-operation agreement happened Moreover, with Mitsubishi Motors of competitors are beginning to imitate the company'e industry-leading production methods, based on modular manufacturing and common components in all markets. This could threaten the enhanced productivity and better-than-average margins

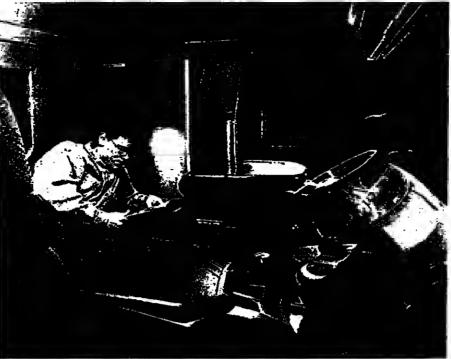
enjoyed by Scania. The company is not slipping, of course; the others are catching up.

If it is to remain the best managed and efficient manufacturer in the sector it will have to ensure that the launch of the Series 4 in Brazil - one of its largest markets - proves a success. Given the state of the Brazilian economy and recent tax increases, buoyant demand is not

Volvo does not have so much riding on the success of one vehicle. It has also pursued a more aggressive giobal expansion strategy, mainly in North America, south-east Asia and China,

profits this year.

Scania's difficulties have months of this year fall from been compounded by Skr2.14bn to Skr1.85bn, Volhigher-than-expected vo's truck division more production costs and low than doubled its profits from



But Voivo still lacks critical mass in North America, and might need to consider acquisitions to compete. Both Scandinavian manufacturers, meanwhile, may

Scania can remain an independent business, and whether Volvo trucks can withstand long-term pricing pressure from Mercedes-

mark remains over whether

be for them to fall into each other's arms. But as one leading industry analyst put it: "In heavy trucks whether you are making them or driving them - it is not always easy to take the

# Cinders waits for the ball

The market holds firm without incentives, says Paul Betts

## more than the 152,000 total ITALY for 1996.

Italy's commercial vehicle industry is the Cinderella of mance is nonetheless the country's automotive encouraging. For even with-market, which is set for a out incentives, tha market record year. Government has managed to hold up and incentives for buyers of new new orders have been rising cars have significantly since early summer. boosted demand, and new car registrations are expected to reach 2.4m this year. But the commerciai vehicle sector will show no such spectacular growth. The discounts offered for all those replacing cars that are 10 years old or more with new ones have not been extended to vans and light

trucies. At best, the commercial vehicle market is likely to show a slight improvement on last year, with new regisCommercial vehicle manu-

facturers say this perfor-

All the more encouraging is the fact that the sector enjoyed a boost last year from incentives granted under the so-called Tremonti Law whereby companies received tax breaks for acquiring new commercial vehicles. These fiscal incentives helped the market rise from 147,000 new registrations in 1995 to 152,000 last year despite the economic slump in Italy.

Rosario Abate, in charge

# String of new models shape a surprise

Truckmakers are benefiting from renewed demand at home and abroad, writes Graham Bowley

## GERMANY

Germany's commercial trucks market has revived strongly this year, leading the general pick-up throughont Europe. The recovery has been typified by the suc-ceseful turn-around by Daimler-Benz, the country's biggest industrial group and the global truck industry

"The German market has been the big surprise for us," says John Lawson, automotive analyst at Salomon Brothers in London. "Prospects for the remainder of the year remain positive."

The main reason for the German revival, according to Phillipp Rosengarten, antomotive analyst st Standard & Poor's DRI in London, is the introduction of a series of new truck models. This has led to renewed demand for commercial vehicles. despite the depressed nature of the German economy, in particular the slow-down in

German truck manufacturers such as Daimler-Benz and MAN have also benefited from strong export demand, an area where the weak D-Mark has beiped. Asia and eastern Europe have been the regions which have provided especially strong demand for Germany's manufacturers.

Salomon Brothers notes in a research paper that Mercedes, many do - to pro-although the German mar-mote commonality in the ket had shown "only 1 per fleet," said Salomon. cent growth through [to] August 1997, August itself showed a 12 per cent German trucks maker which increase in sales". It esti- has around a 30 per cent mated that Germany would account for around 25 per cent of the European trucks market this year.

Mr Rosengarten estimated that new registrations of lightweight trucks would former position in European grow at a heady rate of 7.3 per cent this year to 268,000 units. This would come after a 5 per cent drop last year to 250,000. He expects growth to markets make this company be more stable next year, the clearest beneficiary of with registrations rising 1.4

per cent to around 272,000.
"This is an impressive number," he said.

Sales of heavy trucks are forecast by Standard & Poor's DRI to rise 1.2 per cent this year to 68,500, after declining 6.4 per cent to 67,500 last year. They are expected to grow 2.6 per cent to around 70,000 next year. Daimler-Benz is the com-

pany benefiting most from the introduction of new models, including the new Actros truck. "As Mercedes-Benz is the market leader this of course has a very important effect on the market in total," sald Mr Rosen garten.

According to Salomon Brothers, Mercedes-Benz has about half of the German heavy and medium-size truck market and around half of its sales this year and in 1998 are expected to be in Germany. The new Actros bas been able to compete with rivals, which had ini-tially dented Mercedes' sales by tempting traditional cus-

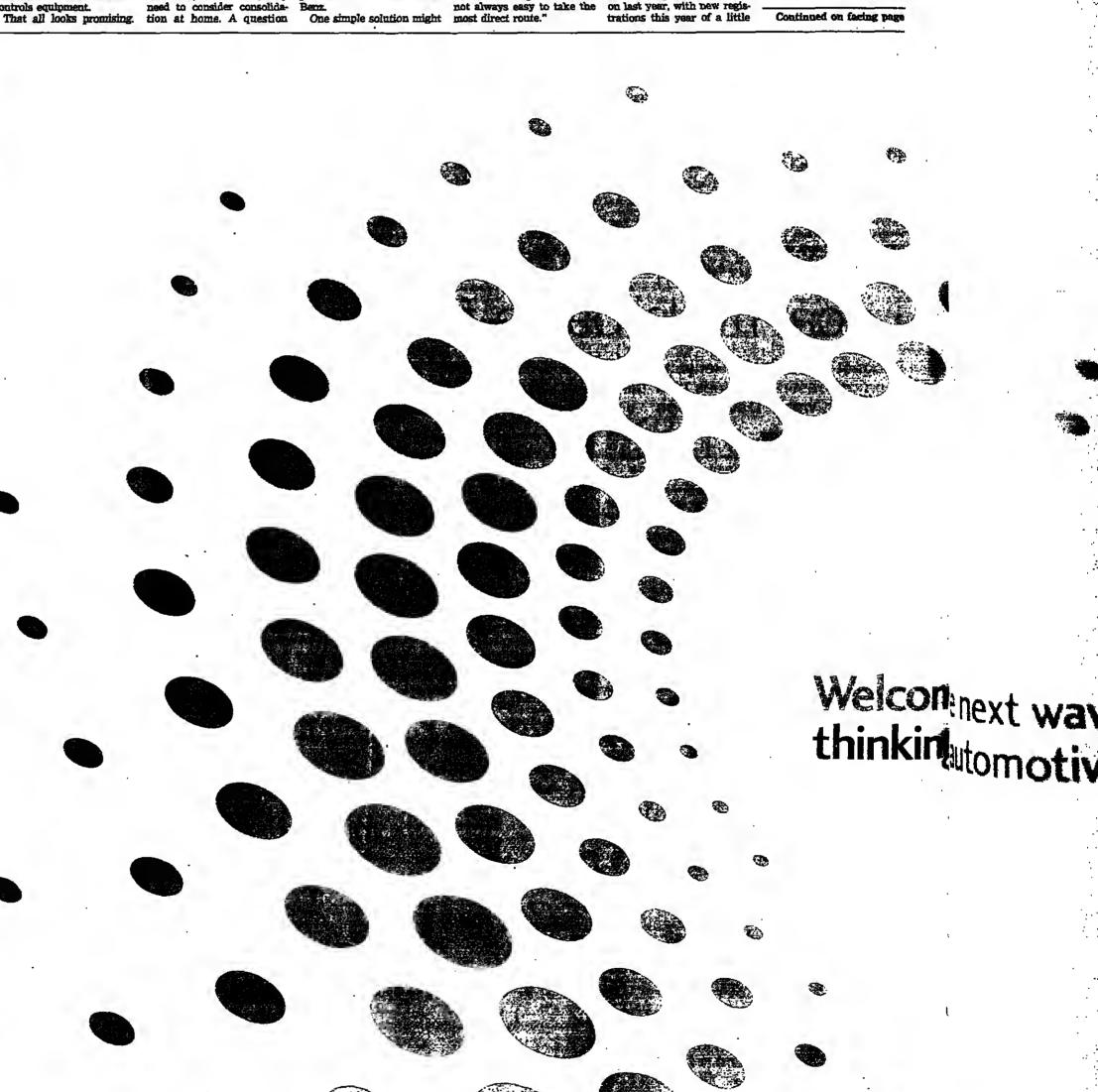
tomers away, Salomon said. Mercedes has also benefited from the fact that its trucks already make up about one-third of Europe's vehicls fleet and that the company offers good service support backed by a wida

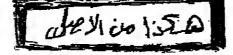
dealer network. "It is clearly more advan tageous for big operators currently running Mercedes and with 30 per cent of Europe's vehicle fleet being mote commonality in the

Mercedse' revival has eclipsed MAN, the other big share of the German heavy trucks market.

"Daimler, the global truck industry leader, is gaining European share as its Actros truck restores some of its markets," said Mr Lawson. "Cost reductions in the company and the leverage from North and Latin American the current truck upswing."

Turbumananana ikan talah merupikanan beralaman beralam beralam yang beralam beralam beralam yang beralam beral





An enterprise of Tord Metar Company

# Tough rules on the way

Manufacturers are facing difficult economic conditions and heavy investment to meet emission controls, says Michiyo Nakamoto

## JAPAN

And the state of t

Paul Betts

Mary Street

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(A triby in .

Japan'a commercial vehicle manufacturers are bracing themselves for a difficult few

a worae-thanexpected slump in the first half of this fiscal year ito March), a cut in public works projects amid sługgish economic activity threatens to depress demand further.

Meanwhile, stricter rules on emissions, which are to be introduced over the next few years, have forced truckmakers to inveat beavily in research and development, as well as manufacturing facilities that are needed to produce engines that meet the new requirements. The downturn in Asian markets triggered by currency turmoil has also added to their woes.

For Japanese trucknakers, the market situation

they had envisaged initially. Demand fell more than expected in the first half in reaction to the increase in consumption tax from 3 per cent to 5 per cent in April. As a result, the industry forecast for sales this fiscal vear has been lowered from 144,000 units in ths domestic market to 131,000

"The problem is that the drop in demand is large and the economy is stagnant. The downward revision to the second half was mads due to the view that the economy will remain weak," notes Mr Eikichi Inoue. deputy general manager of public relations at Hino Motors, the largest of Japan's commercial vehicle makers. "We expect that there could even be less demand and that sales could fall bslow even 130,000

depending on the economic situation," he says.

spurring intense competition in the domestic market, which provides 70 to 80 per cent of revenues, says Matthew Ruddick, industry analyst at HSBC James Capel. There are simply too Hino, many truck manufacturers

Of the companies which dominate the Japanese truck market, Hino and Mitsubishi are engaged in a fierce battle market share, Mr Ruddick points out.

Hino, the largest truckmaker, aims to increase its share of the medium and heavy duty of its agenda includes expanding into the small want to stock the sntire truck segment where it range of their trucks with currently procurss Hino product Without a years. two-tonne trucks on an OEM two-tonne model we can't be basis from Toyota, a a truly tntegrated significant shareholder with manufacturer," Mr Inoue

will introduce from 1999. The market for two-tome trucks is dominated by Isuzu and Mitsnbishi Motors, which together have a 65 per which hes concentrated on the medium to heavy truck sector,

comprising trucks weighing

more than 2.5 tonnes, has a

modeat share of the two-tonne truck market. However, Hino helieves truck in its range will increase its overall chances in the market by filling out its range of models on offer. truck market from 29 per "It has been our long-term cent to over 30 per cent. Part aim to have two-tonne trucks. Customers say they

two-tonne model, which tt for market share is putting

Japanese truck production by manufacturer and weight sector

	1007		1000		1000	1445	2000	Man.	
W Hino								·	
Medium .	40,951	40,087	44,903	45,865	43,570	44,063	44,724	44,755	44,85
Heavy	27,718	35,000	27,519	25,830	25,600	28,753	31,053	32,403	32,73
Total	68,669	75,087	72, <b>42</b> 2	71,495	69,170	72,816	75,777	77,158	77,58
le leuron	-								
Medium .	77,399	72,294	74,334	78,178	75,746	77,083	79,878	81,91 <b>a</b>	83,329
Heavy	15,266	22,929	18,640	19,106	17,840	18,522	19,196	19,910	19,819
Total	92,665	95,223	92,974	97,284	93,586	95,585	99,074	101,828	103,148
Mitsubishi .									
Medium	39,082	39,905	35,877	37,363	36,825	39,375	42,771	44,356	45,158
Heavy	17,258	24,351	18,778	16,846	18,480	18,898	20,232	20,886	21,396
Total	56,348	54,256	54,655	54,000	53,305	58,073	63,003	65,242	66,554
E Niesen Diesei									
Medium	25,301	23,566	25,398	26,795	25,339	26,250	27,147	27,972	28,350
Heavy	18,237	27,883	20,940	20,418	20,080	22,226	23,619	24,400	24,650
Total	43,538	51,250	46,338	47,213	45,419	48,478	50,765	52,372	53,000
■ Toyota									
Medium	4,432	2,580	676	696	820	750	781	799	â10
Totals ·									
Medium	187,175	178,432	181,188	188,599	182,300	187,501	195,301	199,800	202,501
Heavy	78,A77	109,973	85,877	82,000	80,000	88,199	94,100	e7,5 <b>09</b>	96,600
* Fatimates								Sc	urce: JAMA

eroding profit margins. Cost pressures are also on the rise as a result of new emission regulations that come into effect over the next few

Japanese exports have besn hit hard by the downturn in Asian markets. 15.5 per cent. Hino is says.

Hino, for example, bau developing its own The intense competition expected to export 18,000

pressure on prices and 38 per cent of its total devaluation. As a result, exports. However, exports to Thailand in the first six months totalled only 4,700 units, leading to a revised export forecast of 27,200 for 252,000

> Furthermore, the Thai markst for pick-up trucks, such as the Hi-Lux which Hino manufactures for Toyota, has been bettered by the after-effects of the baht's

the year.

initial forecasts of 319,000 units in consignment orders has had to be revised to

Hino, which has halted production in Thailand for the rest of the year, expects demand there to remain weak for another two to about eight to 10 years, three years.

Against all these negative factors, there is at least one support the market.

SOUTH KOREA

commercial vehicle industry

could be heading for a signif-

teant restructuring following

the recent bankruptcy of the

have the second-largest

The problems at Kia partly

reflected a downturn in sales for commercial vehicles

because of a sluggish econ-

omy. Capacity utilisation at

Asia Motors, which has a total output of 255,000

vehicles a year, fell to a

mere 21 per cent last year

against 79 per cent for Hyun-

dai's commercial vehicle pro-

Asia Motors' difficulties in

paying debts of nearly \$2bn.

which it has amassed after a

recent expansion of tts

plant facilities. A similar ioss of sales for Kia's car

division left Korea's

eighth-largest conglomerate

unable to service total debts

The fate of the Kia groop is now in the hands of the

Korean government, which

has taken a controlling stake in an effort to prevent plant

closures and job losses.

of \$10.5bn.

The poor sales aggravated last year.

Kia motor group,

Koréa's lar

company.

Kia bankruptcy

Truck unit is likely to be a target

South Korean ernment, has suggested that

Kia Motors and its truck likely to buy Asia Motors if

snhsidiary. Asia Motors, the government proceeds

share of nation's commercial Although Daewoo is the

vehicle market with a com- nation's second-biggest carbined 41 per cent, against 47 maker, its commerciat

per cent for Hyundat, vehicle operations are small

selling it.

for Daewoo, says John Burton

may lead to

restructuring

Many Jopanese companies vehicles bought the trucks they use now during the last peak of economic growth in the late 1980s and carly have o useful lifespan of manufacturers are expecting

mer labour minister who has been appointed as the new

chairman of Kia by the gov-

he might merge Asia Motors

with Kia Motors instead of

Daewoo, Korea's fourth

largest congiomerate, is

with its plan to sell it.

cent of the domestic market

truck producer, and tt

recently developed a full

Daewoo's emphasis on overseas production would

help boost foreign sales for

Korean commercial vehicles,

which accounted for only 12 per cent of the 1.15m vehicles the nation exported

A possible acquisition of

Asta Motors by Daewoo

would increase the latter's

share of the domestic commercial vehicle market to 12

Msanwhile, analysts are

speculating about the future

of Ssangyong Motors, which has 6 per cent of Korean commercial vehicle market.

Ssangyong is producing com-

light vans, under licence

from Mercedes-Benz for

export to the Asian market.

per cent.

range of trucks and buses.

Nonetheless, Daewoo has

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o the next wave of the automotive world.

We already have.

## The government initially But Ssangyong's recent said that it would sell Asia expansion into passenger car Motors, while it would try to production has left the comnurse Kia Motors back to pany with a huge debt bur-health. But Jin Nyun, a for-den of 50 times equity.

Italy's Cinderella

of commercial vehicles at tary, taking a further 13 per Fiat Auto. Italy's dominant carmaker, is relatively optimistic. "We have been seeing an improving trend during the past two years and we expect it to continue next

The commercial vehicle market has traditionally its Ducato vehicle (part of been regarded as reflecting the Italian group's commerthe state of the economy as a cial vehicle manufacturing whole hecause its performance is closely correlated Franch Paugeot-Citroën with industrial activity in general.

The signa in recent months have indicated a recovery in Italian industrial production which has been market this year despite the absence of the Tremonti

In the first 10 months of this year, registrations have grown by nearly 3 per cent to 123,399 vehicles, compared with nearly 120,000 in the Fiorino van to be produced same period last year. Italian manufacturers consolidated also planning a van version their bold on the market of its new Palio world car for with a 57 per cent share.

Flat Auto had nearly 40 duced, initially at least, in

the Turin conglomerate's lveco heavy truck subsidcent. Piaggio, which huilds only very light commercial vehicles, had 4 per cent of

the market. Fiat Auto has been steadily recovering market share since 1994 following the successful launch first of joint venture with the group) and then of the Scudo, another veblcie involved in the French joint venture.

From its 32.9 per cent share of the Italian market, mirrored by the resilience of Fiat Auto has steadily the commercial vehicles climbed back to 36 per cent in 1995 and to 39.3 per cent last year. It is now consolidating at 40 per cent.

The Turin company expects to reinforce further its grip on the market with tha replacement of its small in Brazil in 1999 or 2000. It is 1999 which will again be pro-

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# Truckmakers drive a long and twisting road

Several short-term factors, such as problems on the railways, offer hope for a relatively buoyant time, writes Richard Waters

The recant jump in industrial production in the US has come like a shot of adrenalin for the country's lahouring heavy truck industry. But, given the stop-start nature of demand for trucks recently - not to mention the ageing of the the first six months. With economic the manufacturing sector set expansion, which has now to advance by around 4.5 per

in what has hecome a twisting and tortuous road for the heavy truckmakers. For now, at least, things look relatively good. The ontput from American factories - the most obvious trucks - the type that drag factor that drives truck sales - soared in the third quarter after recording solid gains in

partial reversal of last year's slump in heavy truck sales, with a strong start ahead for

it expects sales of Class 8 roads - to reach around 176,000 this year, against last year's 170,000. With a backlog of orders already stretching to around 128,000

190,000. This would be not far short of the record 201,000 trucks sold in the US

could help in making the buoyant time for most truckmakers. The severe np in the Union Pacific rail to the roads, hoosting demand for vehicles, says Bruce Plaxton of MacKay, an machinery industry.

Also, he says, a two-month hiatus in production early next year as Freightliner shifts production of its recently-acquired Ford heavy truck operations now renamed Sterling - will cut capacity temporarily and help other manufacturers. The short-term boost.

however, will not solve the deeper problems that hava bedevilled North America's truckmakers. Profitability has been patchy in an industry that has snffered from lumpy severe price in productivity.

There have been attempts to get to grips with some of these problems. Volvo, years ahead.

Brazilian truck production by manufacturer & manufacturer

54,494 18,769 38,537 20,528 19,074 30,048 11,017 6,998 41,636 64,032 1,271 882 121,511 706 156,076 21,956 65,513 27,054 27,720 46,231 50,472 26,990 41,298 45,120 41,879 44,106 19,730 5,642

vehicle sales fall from around 12.5 per cent in the management of its truck operations in the US and reached an agreement to huy out General Motors' minority stake in the

Ford Motor has quit the business with the sale of its heavy truck operations to Freightliner, which is owned by Daimler-Benz. That will leave the German company with around 35 per cent of the US market - a powerful position to challenge some of the smaller players in the

Picking the next possible

victim of this fiercely competitive market is not easy. Until recently, Navistar, with a falling market share and high labour costs, was at the top of most peoples' lists. In the first 10 months of

5,430 191,803

North American truck production by weight sector and

this year, though, its market share climbed back to 19.4 per cent, from 16.7 per cent for the whole of last year, and a recent union agreement seems to have set the stage for more efficient working practices at the company.

When the US economy next runs into the sand, however, the pressures under which the truck makers have struggled are likely to return quickly.

# Low profile, but high success

The names of its regional trucking subsidiaries such as Reddaway and Holland - are familiar across North America. Yet few public companies have kept as low a profile as US Freightways, one of the largest regional trucking companies, based just a stone's throw from Chicago's O'Hare airport.

For years the group was better recognised as tha US subsidiary of TNT, the Australian transportation group, After a troubled start on the US west coast, TNT Freightways - as it was then called - expanded on the back of

de-regulation in the trucking industry. It made a series of acquisitions in the 1980s, adding Holland Motor Express in 1984, followed by Bestway, Dugan and Reddaway in

The break with the Australian parent came in 1992. Grappling with a stretched balance sheet, TNT sold a 75 per cent stake in the US trucking business through an initial public offering, at \$19.50 a share, raising around \$250m. The US company later bought the remainder

of its parent's stake. It changed its name to US Freightways last year in order to avoid confusion with the Australian

Behind the self-effacing styla lies a growth story. US Freightways' revenues which barely topped \$500m in 1990, exceeded \$1.3bn in 1996. In March this year US Freightways replaced Conrail as one of the 20 companies which make up the Dow Jones Transportation Average.

Today its core business remains "less than load" (LTL) shipments, and it ranks as number one in the regional trucking market (as opposed to long-haul or inter-regional). Average line-hauls range between 250 and 450 miles, depending on region.

The five main trucking

subsidiaries each cover different geographical almost 300 terminals. There are just over 215,000 employees, of whom almost two-thirds are drivers. This business accounted

for more than 90 per cent of group revenues both last year and in the first nine months of 1997, when revenues reached \$1.13bn.

been so smooth. Like most trucking companies, US in the harsh winter of 1996, when it operations were hit by a prolonged cold period, flooding in the Pacific north-west and ice storms in the south-east.

To compound the difficulties, a hike in diese margins. A slowdown in the economy, coupled with excess capacity in the LTL market, also put pressure on profits.

The net result was reflected in after-tax profits of \$31.5m, down from \$33.3m in 1995. A \$4m charge for restructuring at the Red Star subsidiary, which covers the north-east, compounded the financial

During the year, Dugan also absorbed the Transus business, a south-eastern carrier, while Reddaway and United merged their

west-northwest. But, so far, the current year has been less traumatic. Prices have stabilised and, helped by a fairly settled economic environment in the US. most of the business units have improved market share. After-tax profits in the first nine months of 1997 increased to \$41.8m. compared with \$23.5m at

the same stage a year

US Freightways has also been pushing into the logistics business over the past seven years. It now runs a separate a contract logistics division - an industry which it sees tripling in size by the end of the decade. This new arm was bolstered last year by the acquisition of Chino, a California-based business which provided contract warehousing, operating around 1.2m

Most recently, the Chicago-based company has bought Seko Worldwide, a freight forwarder, operating in the US and internationally - a move which the US group says should help boost expansion of its services next year. Seko's annual

Nikki Tait

cific rail have led to more freight being carried by road

# Brakes slammed on as markets slide

Buyers adopt a wait-and-see policy as pressures mount. Jonathan Wheatley reports

## BRAZIL

Brazil's commercial vehicles industry held its annual trade fair only a matter of days before turmoil swept through the world's capital markets recently.

The mood was Truck sales were growing at third of which requires an annual rate of 35 per cent and several manufacturers had decided to bring forward planned investments to meet rising demand, based on what appeared to be stable, long-term economic growth.

Suddenly, the future looks stock markets plunged after the Asian collapse and fears

First, basic interest rates were doubled to more than 40 per cent a year. When this failed to calm financial markets, the government hastily produced a \$18hn fiscal squeeze composed of spending cuts and tax increases.

The outlook for commercial vehicles now looks of the squeeze has been to wait to see whether the measures will be enough to see Brazil through the crisis.

The government says li wants to cut interest rates again as soon as possible, but its ability to do so will depend on whether Congress gives speedy approval to Its endorsement.

"People are putting off decisions on whether to buy trucks pending a review of the interest rate position," says Hans Hedlund, president of Scania's Brazilian truck operation. "We baven't a lot less rosy. As Brazil's cut production vet because we have a new truck coming on stream soon, hut we are

Such a cut seems inevitament responded with auster- ble. Both Scania'a main competitors in the heavy trucks market, Mercedes-Benz and Volvo, have production and investments under review.

Volvo said sales fell by 30 per cent in the first weeks of put by the same amount. It dropped overtime and weekend working and doubled the year-end holiday period to 20 days. The company also put off until the end of the put much of the economy on year a decision on whether cent. But it stuck to plans to the inflation-beating reference hold as potential purchasers to cut planned investments hegin producing its seven-introduced in mid-1994.

	Ford Medium Heavy Total	11,245 441 11,686	12,880 576 13,456	9,348 648 9,996	10,445 742 11,187	11,421 772 12,193	12,967 791 13,778	13,648 846 14,494	13,982 875 14,857	14,261 905 15,166
	GM Medican	2,584	2,205	893	824	1,012	1,350	1,548	1,676	1,827
4.	Mercedes-Benz Medium Heavy Totals	20,911 7,123 27,434	19,373 7,686 27,059	14,207 3,657 17,864	16,177 5,941 22,118	18,561 7,828 26,389	21,148 8,746 29,894	22,057 9,687 31,744	22,931 10,214 33,145	23,192 10,641 33,833
	Scania Heavy	6,754	6,550	5,326	6,814	7,087	7,417	7,824	8,247	8,578
	Volvo Heavy	5,562	5,820	3,722	4,677	5,482	6,213	6,893	7,470	7,882
	Volkswagen Medium Heavy Total	8,014 628 8,642	13,427 897 14,324	10,117 344 10,461	11,617 541 12,158	13,428 976 14,404	14,211 1,093 15,304	14,975 1,170 16,145	15,216 1,215 18,431	15,350 1,245 16,595
	Totals Medium Heavy	42,154 20,508	47,885 21,529	34,565 13,697	39,063 18,715	44,422 22,145	49,696 24,260	52,228 26,420	53,805 28,021	54,630 29,251
. 6	stimates .	V							Source: DRI/M	cGraw-Hill

of R\$400m to modernise and tonne 7-110 model in Brazil expand its factory in Parana last month at a rate of 8,000 that growth will return. Ris-

dropped by 40 per cent in the ously. 10 days after the interest rate increase, and would decide this month whether truck makers - Ford and to cut production. It spent \$70m this year on its truck big players - appeared to plant in Sao Paulo state and have turned the corner.

cent. But it stuck to plans to the inflation-beating reforms

a year instead of importing Mercedes-Benz said sales them from Japan as previ- investment, expected to a bill to reform the civil ser-

came just as Brazil's has and medium-term potential. Volkswagen make np the six plans to invest a further Sales were up strongly this \$470m in 1998-2001. Sales were up strongly this year for the first time since General Motors says it will the government moved to reduce production by 25 per slow economic growth after

reach \$15bn this year, are The stock market crisis one indication of Brazil's When the upturn comes, however, will depend on a

ing levels of foreign direct

change of attitude in Congress, where for the past two years legislators have dragged their feet over fiscal the government's success in fighting inflation. In this respect, the crisis year,

long term." says Mr Hedlund at Scania, "but mnch will depend on whether the econ-

Few in the industry doubt has its positive side; spurred

belts. "Brazil will still he a very profitable market in tha

## Joint ventures provide road to success But east-west alliances have been slower to evolve than expected, says George Bennett

Truck manufacturers in eastern Europe are entering alliances with western Euro- MAN, Germany's second-higcompete with imported will supply cabs, gearboxes vehicles in their home mar-kets and to build vehicles fit and engines. In Russia, Gaz now has a for export.

The typical pattern is a tria, to huild engines, while joint venture company, in in Romania, RomanDac is which the western partner increasingly using engines underline the fact that sig-

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provides high-value items such as engines and gearboxes. In Belarus, for example, truck manufacturer Maz has just teamed up with gest truck producer, which

licence from Steyr, of Aus-

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Ukraine last year, truckmaker Kraz took 40 per cent of a joint venture agreement with lveco, the commercial under the name Motorsich. The Italian company also has a 33 per cent holding in Urulaz, in Russia, which uses Iveco engines and dri-

veline components. These recent sgreements

ARCG

from Varity Perkins. In nificant western involve to hring them into line turers making an impact in ment in the east has been slower than was expected after the collapse of commu-

> One of the first into the east was Cummins, the US diesel engine manufacturer, which formed a joint venture company with Kamaz. the Russian truck manufacturing giant, in 1991. But demand slowed to a trickle in Russia's ensuing eco-

nomic chaos. Paula Johnson, Cummins' business development manager for Europe. Africa and the Middle East, described the Kamaz deal as still dormant for lack of local pur-

Meanwhile, Cummins is working with a number of other manufacturers in eastern Europe, including Skoda-Liaz in the Czech Republic. Engines, in particular, are

being sourced from western Europe because they are expensive to develop, as are abs and transmissions, and because it is doubtful whether eastern manufacturers yet have the expertise to meet even current EU emissions standards. Central and eastern European governments have wanted to impose emissions standards with the EU, Ms Johnson

Despite initial setbacks, many companies are becom-ing more confident about Russia, she said, although so far one of the most reliable ries in eastern European has been Poland. Several western manufac-

turers have their own assemhly plants in Poland, including Volvo, which is currently building around 2,000 trucks a year in a facility opened three years ago. The first reason for choosing Poland was stabil-

ity, said Stefan Lorentzson, a Volvo spokesman; the second was its role as an important transit country between western Europe and Russia. MAN also has an assembly plant in Poland. One of its functions is to act as a potential bargaining tool

with German trade unions. according to Gunther Dietz, MAN's international sales and marketing director.

huses and vans.

western Europe markets. they are trying to export furthe product as absence of marketing expertise which is the problem, according to Rod England, an automotive industry consultant who was at ERF and Leyland.

vice on November 19, raising

hopes that speedy endorse-

ment of other reforms will

makers must tighten their

The vehicles themselves are not bad, he says, but the companies have lost the ability to market products.

The other problem is competition from used vehicles Who is going to buy a Czech Tatra, when they can buy a secondhand Mercedes? Finally, most eastern

European manufacturers were traditionally orientated towards aupplying the Soviet terms of trade have changed. omy gathers pace, so will the eastern European truck manufacturers.

At Cummins, Ms Johnson Zasada, the Polish truck says: "It's a hit like China manufacturer, now has a and India; you've got to be joint venture agreement there for 10 years, behind with Mercedes Benz to build the scenes, before it starts to pay off. In eastern Europe, While there is little sign of we're halfway through that eastern European manufac 10-year process."

FINANCIAL TIMES THE 14th ANNUAL LONDON MOTOR CONFERENCE The changing role of the car 16 Pebruary 1994, Head Inter-Continental, London

The future for the UK car industry is enot ecounts a growing concern esta worldwide. Next year's otor event soules to provide an Red - and finely timed - opportunit

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# Financing

# Complete packages wanted To rent a fleet,

Truck manufacturers are having to adapt to customers being more demanding. Jack Semple reports

Truck manufacturers in will leasing bring fixed costs

Large customers in the continental Europe, no longer simply seek a fleet dis-count off the front end price of trucks - they want a complete package for anything from a short rental period to

one of seven or more years.

Large contract hire specialists were providing these services, hnying trucks in volume at very low prices and with their own maintenance arrangements. Manufacturers feared that they would become the dominant force in the market, threatening both manufacturers' margins and the viability of their dealer networks.

The truck huilders have rssponded, with varying degrees of urgency and success, hy starting contractbacked hank, finance and maintenance services in a bid to protect margins and their networks and to force close links with customers.

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Volvo set up Volvo Truck Finance in the UK a decade ago when it was the first to recognise that "design, huild, sell" would not be enough in the future.

That company, now renamed Volvo Contract Services in recognition of its diversification, has been a fleet customers into bankpioneer; by 2000 it will be ruptcy. The revenue from managing 22,000 trucks in those trucks would dry up the UK and is likely to be abruptly and the manufacoffering total fleet resource management for large fleets, meeting peaks and troughs to order. The UK company has spawned similar finance an accident waiting to hapunits across western Europe

and in the US. come this year with the deci- son. The potential fall-out sion to integrate Fidis, a for a manufacturer would be financial services arm of the than the battening down of Flat group, into the car and truck operational structure.

Truck manufacturers now take the view that most customers want to buy the serright - until this year. For the current year it is acquir- values, Mr Lawson adds. ing most of its £15m-worth of The warning signs were

for the first time. director, says that not only at the door of the financial

Europe are striving to adjust of ownership, but competito the needs of a fast-chang- tion is so keen in terms of residual value guarantees (the fixed price for the truck UK, and increasingly across at the end of the lease) that leasing is probably a more profitable option for TDG than ownership.

John Lawson, at Salomon Brothers in London, says there are potential dangers in the truck companies' deepening involvement in truck funding and residual

There is, he says, a temptation to set a high residual value in order to move metal - the smaller the gap between the purchase price and the residual value, the more competitive will be the weekly lease or rental charge made to the operator.

In addition, retaining ownership of the truck allows a manufacturer much greater influence on sscondband prices through the control of how, when and where used vehicles are let into the mar-

A slump in the heavy truck market, with a consequent fall in used truck prices, may be planned for and manageable; trucks will continue to earn revenue, so long as the operators survive

However, a prolonged recession could push some turers would be faced with having to sell in a market where no one wants to buy. "I would not suggest it is

pen, but there is a risk, and the volatility of the market At Iveco, a key change has is an issue," says Mr Lawhitherto semi-autonomous significantly more painful production lines with which they are familiar in times of reduced demand for new

company in setting residual

ure of Daf, the Dutch manu-Roger Dye, group financial facturer, was laid squarely



the risk. The crisis came when the last in a series of recapitalisations failed.

Every truck company in There are ways of laying fleet husiness and "move so far for servicing. vices of a truck, rather than off risk, but it is impossible metal. It does not always A year ago it seemed that the product. In the UK, to tell, from the outside, seem that way to customers, the manufacturers, in partic-Transport Development what level of prudence is however. Residual values are ular Volvo, Scania and Mer-Group always hought out- heing employed by a truck a key battleground in the cedes-Benz, might succeed in

truck price war, they say. value has had a big impact trucks on operational lease visible in 1993, when the fail- on truck dealer networks in they bave proved resilient

services arm in the Nether- have often driven down tal, Lomhard and Forward lands. It had been used to hourly rates for mainte- Trust (part of HSBC), which boost sales and misjudged nance work and on parts has its own contract hire prices. The quid pro quo is arm targeting major fleets, intended to be increased vol- are said to be increasingly

At the same time, manuthe husiness denies that it facturers have increased the Mike Williams, chief executakes undue risks with its number of parts and service financial services/asset man- outlets so that operators do agement side in order to win not have to take their trucks

A year ago it seemed that driving the large contract The development of added- hire and rental companies out of that market. However the UK. As manufacturers and some now predict n seek to retain competitive comeback. The leading funadvantage on costs they ders, too, such as GE Capi-

aggressive in their pricing. "The wheel is turning," says tive of Dawson group.

# to buy, or mix?

Companies have to consider many factors when acquiring their cars. John Griffiths investigates

In a rapidly-changing employment and economic climate businesses are concluding that there is no such thing as an "ideal" approach to acquiring cars for their executives. This is despite strident campaigns by the contract hire industry to convince companies that this particular form of outsourcing is the solution to all problems of buying, owning and administering fleets.

A large, cash-rich company running n fleet of several hundred or thousand cars can opt to buy, manage and dispose of its own cars efficiently, using in-house management and the wide агтау of sophisticated fleet management computer software now available.

Others, just as validly, are likely to opt for contract hiring their high-mileage, relatively low-value cars for salesmen and other essential users, while continuing to huy their executive - frequently "perk" - car fleet

Just bow varying the critecompany fleet was highlighted this year in a study of the sector undertaken hy UK remuneration advisers Alan Jones & Associates. The study of nearly 160 companies included a few of the thousands of smaller husinesses running fleets of 100 cars or fewer, hut concentrated on larger concerns. The average turnover was more than £500m, and a Automobile Association, Burmah Castrol, Dixons, the electrical retailer, Motorola, RTZ and Tesco, the UK

supermarkets group. It showed that 52 per cent cars for the most senior of companies use contract staff". hire, but more more than 40

purchase - and a number of the companies questioned

use both methods. It is these two approaches which dominate; other variants, after sometimes brief bursts of popularity, are becoming marginal. Finance teases. Alan Jones found, still had some attraction for around 11 per cent of companies surveyed. But contract purchase, lease purchase and the traditional hire purchase are used only at the

Being cash-rich is an obvinus reason for outright nurchase, as was openly acknowledged by the companies questioned. But their most widely-quoted reason was the total control exercisable over the fleet. Add in some of the additional reasons quoted for buying outright, not least irritation at what is described as "niggly" on-costs incurred in contract

margins.

be seen that contract hire still has some way to go before il can claim domination of the company car secría can be for financing the tor. However, it can draw some satisfaction from the Alan Jones research in that. having experienced contract hire, 94.5 per cent of the companies said they would recommend the contract hire agencies they used, David Atkins, editor of the

annual Monks Partnership survey of company car polley, which conducts its own research among a similar spread of companies, agrees cross-section included the that "more companies are now using mixed methods of acquisition, for instance leasing the bulk of the fleet and outright purchasing a small number of high-value

Not all the research proper cent still opt for ontright vides consensus on trends,

large annual surveys undertaken, by Tolley Dial, concludes that more than 60 per cent of company cars are hought outright, with less then 30 per cent on contract hire. Again, however, the research indicates that many companies use a mix of both with executive sector cars more likely to be purchased. It is among companies

however. Another of the

with an increasing presence across Europe, however, that the contract hire and teasing sector can look for some uf its best growth prospects. even within the executive car sector. Few companies will not be tempted to take advantage of the trend among large specialist contract here and leasing groups such as Cowie interleasing and HSBC-owned Swan National to set up EU-wide operations, sometimes using local partners with specihire and leasing, and it can alised knowledge of their national markets.

For many cumpanies with a significant presence in a number of EU markets, the "hassle" factor in seeking efficiently to huy, operate and dispose of a wide mix of cars throughout a region with stlll widely-varying national car market characteristics is beginning to appear greater than the loss of day-to-day control implicit in moving to a EU-wide contract hire scheme.

"National differences within the EU are not going to disappear, doing busines in Spaln or Greece will always he in contrast to doing husiness in Sweden or Germany," according to Vahid Daemi, managing director of the UK subsidiary of Lease Plan, a leasing and contract hire group already operating in 17 European

# Leaving the hassle behind

Tax has made company cars less attractive, but they still have strong support, says John Griffiths

is big business. Of the 3m company cars on UK roads today, the British Vehicle Rental and Leasing Association estimates that 1.2m are some other form of leasing or specialist fleet manage-

The overall size of the husiness fleet has enjoyed steady growth, confounding sceptics who suggested that, particularly for executives receiving their cars as a "perk" and part of their remuneration package, the popularity of the company car would decline as its tax treatment became, over the years, less lenient.

Neither an increasingly severe taxation regime nor contract hire and leasing the offer of cash allowances as an alternative has hrought decline.

observers failed to consider before making their pro-nouncements," says the BVRLA "is the benefit and importance of hassle-free motoring, Employees place a ability to hand over all their responsibilities to a specialist third party."

The attractions in the UK of contract hire in particular have strengthened this year. Partly this is the result of rentals having heen held down hy the one-off benefit hrought about hy VAT changes, under which lessor companies can now reclaim the VAT they pay on their car purchases and pass on savings to customers. Partly, too, rentals are being kept down by fierce competition in the servicing and repair sector. Maintenance costs have actually fallen.

Peter Walker, press head

65,000 cars the company expects to sell in the UK this year will have heen acquired through contract hire.

"Apart from the lack of elther on contract hire or hassle for sxecutives through having no administration costs or worries, there's no depreciation to worry about and no unex-pected repair costs. It has to be a serious consideration if ths employing company is VAT-registered."

Mr Walker believes that changes to the UK company car taxation system expected to be announced by Gordon Brown, the chancellor of the exchequer, in his next hudget in the spring will also increase husiness for the sector - but from executives taking up the cash alternative to the company car What these industry increasingly being offered to

executives. Mr Brown is expected to announce changes discouraging the private use of company cars through a system which would increase the significant value on their tax bill according to the amount of private use of the car-related problems and car rather than, as is the case now, providing two levels of tax discount for those covering higher business

> Executivea seeking to escape the new system will still want to enjoy the lack their company motoring. says Mr Walker. So even while unable to enjoy any VAT benefit, many are likely to want to take out personal contracts providing the same level of service as a company contract hire package.

Under the current tax regime, tha take-up of the cash alternative has been low - typically well under 10 of the financial services divi- per cent of executives within sion of BMW (GB), says a those companies offering it, structure of the husiness,

The leasing of company cars large majority of the record "so the process is only just starting", says Mr Walker. "But if Mr Brown really does hit the company car harder then there may be significant change."

Far from condemning such change, even some of ths higgest names in the contract hire and leasing industry are saying that they welcome it; that it may be long overdue; and, not least, acknowledging that the current system has been both open to ahuss and has adverse effects on the environment.

Under current company car taxation, the 35 per cent of a car's list price on which company car drivers must pay tax each year is reduced hy one-third if the year's businsss mileage exceeds 2,500 and by a further onethird if business miles rise

"That makes little sense in environmental terms as lt encourages the company car driver to bump up business mileage in order to qualify for the tax breaks and qualify for lower charges,", says lan Goswell, executive director of Barclays Bank's Dial Contracts vehicle finance and fleet management subsidiary, which manages 45.000 cars and finances 49,000 in the UK.

"We feel the changes should reward drivers for of "hassle" enjoyed during using their cars with consideration for the environment: discourage them from selecting bigger and prestigious, but less efficient, cars; help to reduce an organisation's cost base: and discourage. unnecessary travel to meetings when perhaps technology could be used instead."

purchase schemes (CAPs). Under the scheme Dial plans to introduce early next year, individual executives will be able to contract hire

cars using cash allowances granted in liep of the company car. The advantage for drivers, claims Mr Goswell, is that they escape the company car taxation net, can receive sound advice on the most appropriate car for their needs, and benefit from the market muscle that lead-Dial can exert in both huying cars and contracting their repair and mainte-

such schemes working in their favour as well, says Mr Goswell. "The employer can still offer access to a recommended car acquisition scheme as part of the remuneration package, thus keeping the organisation compet-Itive in the recruitment and retention of staff...but the company can stipulate that certain manufacturers, models and colours deemed inappropriate would not be available within the scheme, thus guarding, to a degree, the corporate image and ensuring that the car awarded as part of the remuneration package remains in accordance with the grade of man-

Dial expects individual drivers taking up the scheme to account for 30 per cent of its customer base over the next five to eight years.

New entrants are heing encouraged into the field, among them Paragon Car Finance, a Paragon finance group subsidiary now rank ing Ron Young, the former Finance and Leasing Association chairman, among its directors. Paragon is taking a more inclusive approach Dial and other leading than Dial, howsver, includ ing both used and "classic" players are already preparing for what they expect to cars as options for execu be a significant shift in the tives taking the cash alterna-













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Section Section

# **Statistics**

## Rolling out the metal

Production figures for selected leading car and light commercial vehicle groups;

The widespread industrial and financial troubles of the Asia-Pacific region provide a source of alarm for the world's

car industry, writes John Griffiths The widely-held assumption that the region would provide one of the main outlets for growth of an industry facing near-saturated markets throughout the developed world has been brought into question by the possible knock-on effects ion in Japan, particularly if the Yamaichi Securiti collapse is followed by others and by the economic difficulties infronting other east Asia countries such as South Kores. which is now seeking help from

The first few months of 1998 will be crucial optimism within the inclustry that growth in other emerging regions, notably Latin America and central and eastern Europe. will be able to compensate for adverse trends in Asia. If this optimism proves justified, 1996 could still see the arred but steady increases in production. which, as the accompanying tables show, most of the leading industry players were able to

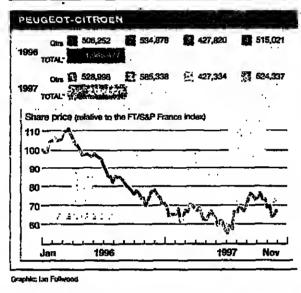
enjoy during the past year. Asean states become markedly more difficult, says Standard & Poor's DRI fore world car output should still be able to rise by around 1.5 per cent next year even if some of it, in the form of increased exports from a Japan with will not be welcome to western

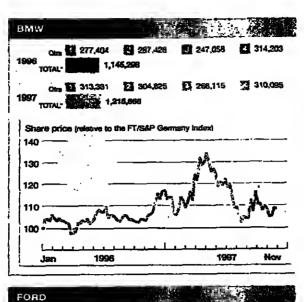
Production in Latin America, malnly Brazil, is continuing to expand at a rapid rate. Brazil's car output was up by around one-fifth in the first three quarters of this year, and with yet more plants from. Perment and Ford due to come on stream, there is little on the horizon in the near-term to slow

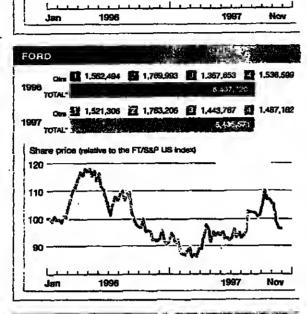
West European production had looked set for output growth of little more than 1 per cent next year, but almost certainly will be boosted by Italy's scrappage scheme, which has sent Italian sales soaring by more than 50 per cent in recent months. Output in central and tern Europe is also being

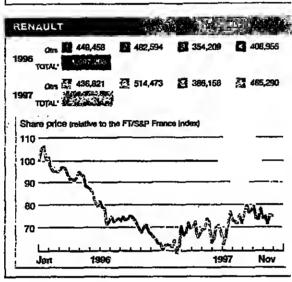
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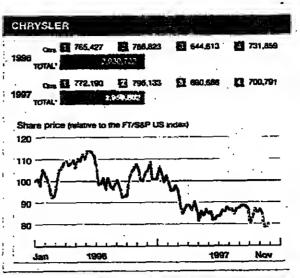
\* Figures for Africa, Asia, Australia, Eastern Europe are included only in Figures for CG, C4 1997 are estimated

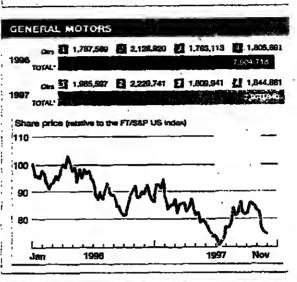


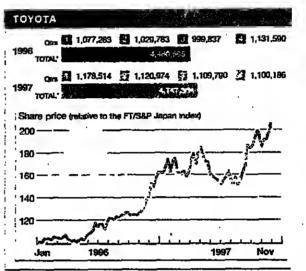


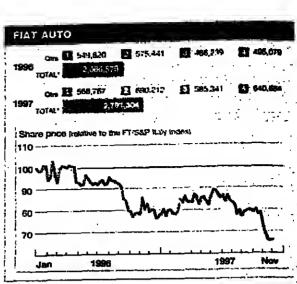


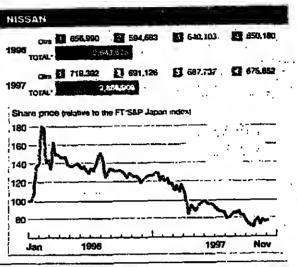


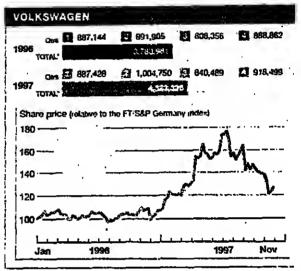












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# Distribution

# City 'village' cuts the flab

## Haig Simonian takes a look at pioneering schemes to sell cars

carmakers bave turned to distribution and retailing as the last big areas to fight the

have ranged from improving petitive pricing. logistics by rationalising regional stockpiles to bringing dealers on-line to accelerate delivery times. However, Italy has recently emerged as the guinea pig for two pioneering schemes which could change the face of selling cars in Europe.

Rover has used its highly successful Italian subsidiary to experiment with a new style of dealership. The company's new "Rover Villages" are an extension of the Land Rover Centre concept developed in the US in recent

The Rover Villages - the first of which opened near Rome earlier this year combine a US-style Land Rover Centre with other features. The obvious elements include a Rover showroom and a Land Rover test track. But less traditional features include a theatre, library, display of vintage Rover products and even a "traditional English" pub.

Humbert Carcel, spokesman for Rover Italy, says: "Our alm is to make tha experience of buying a car pleasurable and comfortable." Further plans include setting up an English language school on site.

Rover is playing on a safe wicket. Italy has become its biggest export market, with sales of more than 53,000 vehicles in the first 10 months of this year - up 56 per cent on the correspondimprovement has come through eliminating smaller and more marginal outlets. encouraged to invest in their premises, while sales have been boosted by the group's overall product-led revival.

strong market for four-wheel

Having axed production But Rover's clubby "wood costs and squeezed suppliers, and leather" image also appeals to Italian buyers trying to adopt a fashionable "English" look. Although not cheap, the brand has Manufacturers' initiatives also been lifted by very com-

> But these attractions underestimates the scale of Rover's Italian success. The company expects to sell more than 63,000 cars this year, giving it a record Italian market share of 2.7 per cent and confirming its position as Rover's biggest export market. Sales have grown from L480hn in 1993 to an expected L1,600bn this year, says Salvatore Pistola, head of Rover Italy.

The increase will come in spite of spurning incentives. Sales of new cars in Italy have soared this year on the back of the government's car scrappage scheme. Like similar programmes in France and Spain, the system operates by offering drivers s big government incentive when trading in an old vehicle. Tha government money

has to be matched by the carmaker. But Rover has preferred to avoid incentives. "We don't want to get into discounting", says Mr Pistols. Individual dealers, however, can offer incen-

tives if they wish. Meanwhile, Mercedes-Benz has turned to Italy for a different, but equally innovative, retailing ruse. The company is setting up a chain of city-centre mini-showrooms to showcase its products.

Originally launched to coincide with the arrival of the new A Class small hatchback, the project has gone ahead in spite of the ing period last year. The big vehicle's postponed launch on safety grounds. The centres, staffed and financed by local dealers, are intended to Surviving dealers have been spotlight a range of Mercedes-Benz products, including "lifestyle" items such as Italian-designed clothing and accessories. "We're trying to Italy is a particularly move away from sterile showrooms in the suburbs to drive vehicles, buoyed by something right in the heart to the carabinieri, armed to the carabinieri to t forces and other state bodies. es-Benz Italy.

The ontlets, which have an area of between 150 and 200 square metres, are all relatively small and can hold should take the total to 12 by only one car. "But that is year-end. Mercedes-Benz not the point," says Mr says the plan has gone Prange, "The centres are ahead smoothly, in spite of intended to serve as meeting the A Class's much-publipoints, where people can just drop in, and where we'll have a chance to tell them about the world of Mercedes-Benz." The outlets will also include videos showing Merrelatively small, their upcedes-Benz's role in Formula market locations means One racing through the

of the company's automotive technology. Each outlet will be able to take orders for cars through s direct audio and video link to a local dealership. The idea for the centres was dreamed up by the Italian subsidiary, but is being

watched very closely st group headquarters in Stuttgart, says Mr Prange.
"The A Class showed us we had to reach s new level of customer," be says. The concept had to be approved by the entire Mercedes-Benz

very curious to see what will The first of the "MB Spots" opened in Milan in mid-October. Located in the heart of the Galleria, Mer-

board. "Of course, they're all

rents are sky-high. McLaren team and displays Mr Prange says the total investment in each "Spot" will be about L600m - excluding rent. Mercedes-Benz is indirectly helping to fund the scheme by offering participating dealers extra margins on their A Class sales. "I'm quite sure it will pay for itself." he says. Both the Rover and the

gious location. Further open-

ings, concentrated in

wealthy northern Italy,

cised problems. But the car's

delayed introduction is

likely to damage the Italian

initiative at least financially.

Although the MB Spots are

Mercedas-Benz ventures highlight how car companies are trying to lure customers into their showrooms and create stronger brand loyalties at a time of growing competition. The fact that both chose Italy reflects the country's commercial importance for both brands. But it also says something about the country's general receptivity heart of the Galleria, Mer-cedss-Benz could hardly Prange. "Maybe the have chosen a more presti-atmosphere is better here."

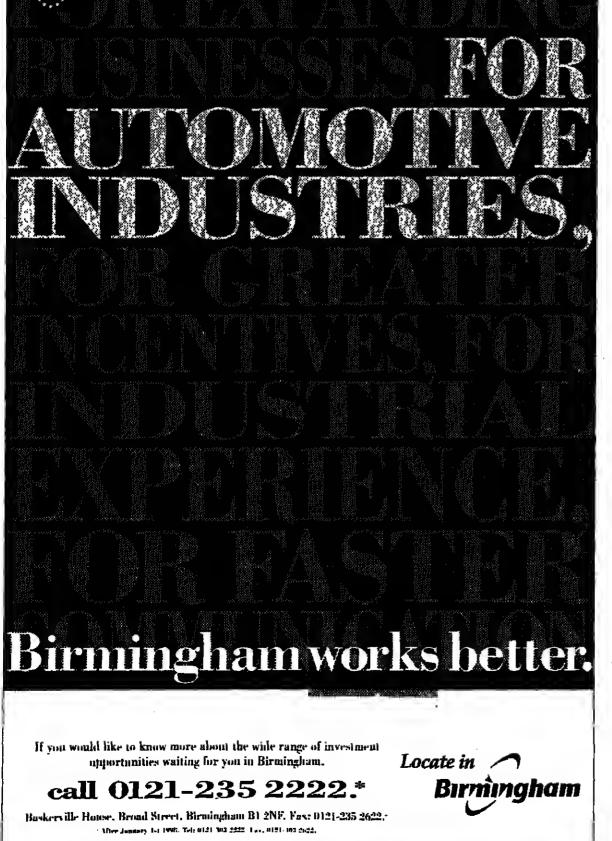
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